

Stock Code  
2317

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

## Annual Report 2015

Annual Report Website

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

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

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THIS IS A TRANSLATION OF THE 2015 ANNUAL REPORT (THE “ANNUAL REPORT”) OF HON HAI PRECISION INDUSTRY CO., LTD. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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**V. Overseas trade places for listed negotiable securities**

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

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

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## **I. Letter to Shareholders**

Over the past year, the global political and economic environment remained volatile and our global business operations faced numerous challenges. However, in the 43rd anniversary of the Hon Hai / Foxconn Technology Group, the efforts of our employees around the world contributed to our achieving new highs in consolidated revenue and profit in 2015. That result was the basis for our company being ranked 31 in the Global 500 by Fortune Magazine. As part of our efforts to continue this strong growth, our Group continues our research and development initiatives in a wide range of science and technology areas, complemented by a comprehensive patent strategy. According to IFI CLAIMS Patent Services, we were awarded 1,083 US patents in 2015 ranking us 29th in the world. In Taiwan, based on the 2015 Patent Application and Grant List published by the Intellectual Property Office of the Ministry of Economic Affairs, our Group had 659 new applications and we were granted 1,661 Taiwan patents in 2015 resulting in the thirteenth consecutive year we have been ranked first in patents granted in Taiwan. In this year of very strong results, we would like to thank all of our shareholders, customers, and suppliers for your full and seamless support of the Company.

The 2016 global economic environment remains uncertain, but, despite the daunting challenges we continue to invest in our successful “Step Forward,” “Going Up,” “Sell Outward” business strategy, in order to maintain growth momentum and create new opportunities for the next phase of our global expansion.

“Step Forward” represents a focus on design innovation, user experience, and technology development. “Going Up” refers to the integration of hardware and software, the combination of reality and virtualization, and cloud architecture. “Sell Outward” refers to the opening of markets, and the implementation of our e-Commerce and e-Business strategies.

In addition to the above, our group continues to maintain “Cloud, Mobile, the Internet of Things, Big Data, Smart Living, and Network + Robot” as key elements of our strategic direction. In the manufacturing segment, our goal is to push towards achievement of “Industry 4.0” (the fourth industrial revolution) and, with the help of big data analysis, to continue to leverage the advantages of precision manufacturing and sophisticated production efficiency, as well as to enhance the added value of the Production on Demand business model.

In the technology services segment, we continue to invest in the cloud and big data services, and we are actively moving into e-commerce. The Group’s daily operations are centered around the “Three Virtuals,” information flow, cash flow, and technology flow, and the “Three Realities,” people flow, goods flow and process flow. Based on the big data generated by these six flows, we are moving closer to the smart society in which all things are connected by the internet.

The wide range of technology products and services associated with our Group are not only focused on obtaining big data, but also on performing further analyses and forecasts through the use of big data. Our Group’s mission is to utilize the concept of the internet plus eight different living styles, to integrate “intelligent information” applications,

allowing users to enjoy a better work experience, increased access to education and entertainment, an enhanced family and social life, better safety and health, better access to e-procurement and e-transactions and an improved environmental and transportation situation. These are all designed to ensure an improved quality of life and achievement of a more convenient and friendly society. By the time we achieve these goals, our Group will have been transformed into a big data-centric “Six Flows Enterprise.”

In the meantime, we are actively promoting the continued internationalization of the group, as we also focus on the development and use of new technologies. As part of our ongoing emphasis on internationalization, we will continue to invest in the Greater China region, in addition to seeking investment and cooperation opportunities in key markets around the world including India. Our emphasis on the development of new technologies means that we will keep pursuing technical and scientific innovation. In addition to the continued investment of resources in R&D, our Group will also invest in new areas that are in line with our vision and complementary to our operations. We are also committed to supporting “Rejuvenation” and we do this by encouraging our employees to pursue creativity, innovation and entrepreneurship – as part of a “Three Creation Culture.”

We would like to close this review by saying how honored we are to be able to expand our strategic alliance with the Sharp Corporation of Japan. The alliance is not only historically significant but will have tremendous synergies when our two world-class companies join forces. This is one way the Hon Hai/Foxconn Technology Group will capture the opportunities and face global competition and future challenges. As we do that we will continue to rely on the immense determination, perseverance and unity of everyone associated with our company to create long-term value for each and every shareholder.

Chairman Terry Gou

## **II. Company Introduction**

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

Listing date: June 18, 1991

### **B. Formation History**

In 1994

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

In 1995

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

In 1996

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

In 1997

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



In 1998

1. Increased capital to NT\$7,346,000,000.
2. Established the High-Speed Electrical Test Lab, the EMI/RFI Lab and Heat Transfer Lab.
3. Listed into The Information Technology 100 (IT 100) by the Business Week of America for the first time.

In 1999

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

In 2000

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

In 2001

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

In 2002

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

4. Became the first largest exporter in Greater China.

In 2003

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

In 2004

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

In 2005

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

In 2006

1. Increased capital to NT\$51,681,387,530.
2. Merged Taiwan Premier Image Technology Corp.

3. Issued NT\$18,000,000,000 of domestic unsecured and transferable corporate bonds.
4. Selected as the Happiest Taiwan Enterprise according to the questionnaire survey of 104 Job Bank.
5. Selected as the Most Desirable Company of office staff of Taiwan according to the survey of Cheers.
6. Nominated as the Best Investor Relation Company in Taiwan by IR Magazine.
7. Nominated as the Best Corporate Governance of the Year in Taiwan by IR Magazine.

In 2007

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

In 2008

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

In 2009

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

In 2010

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

In 2011

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

In 2012

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

5. Ranked 43<sup>rd</sup> among Fortune Global 500.
6. Ranked 156<sup>th</sup> among Forbes Global 2000.

#### In 2013

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

#### In 2014

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

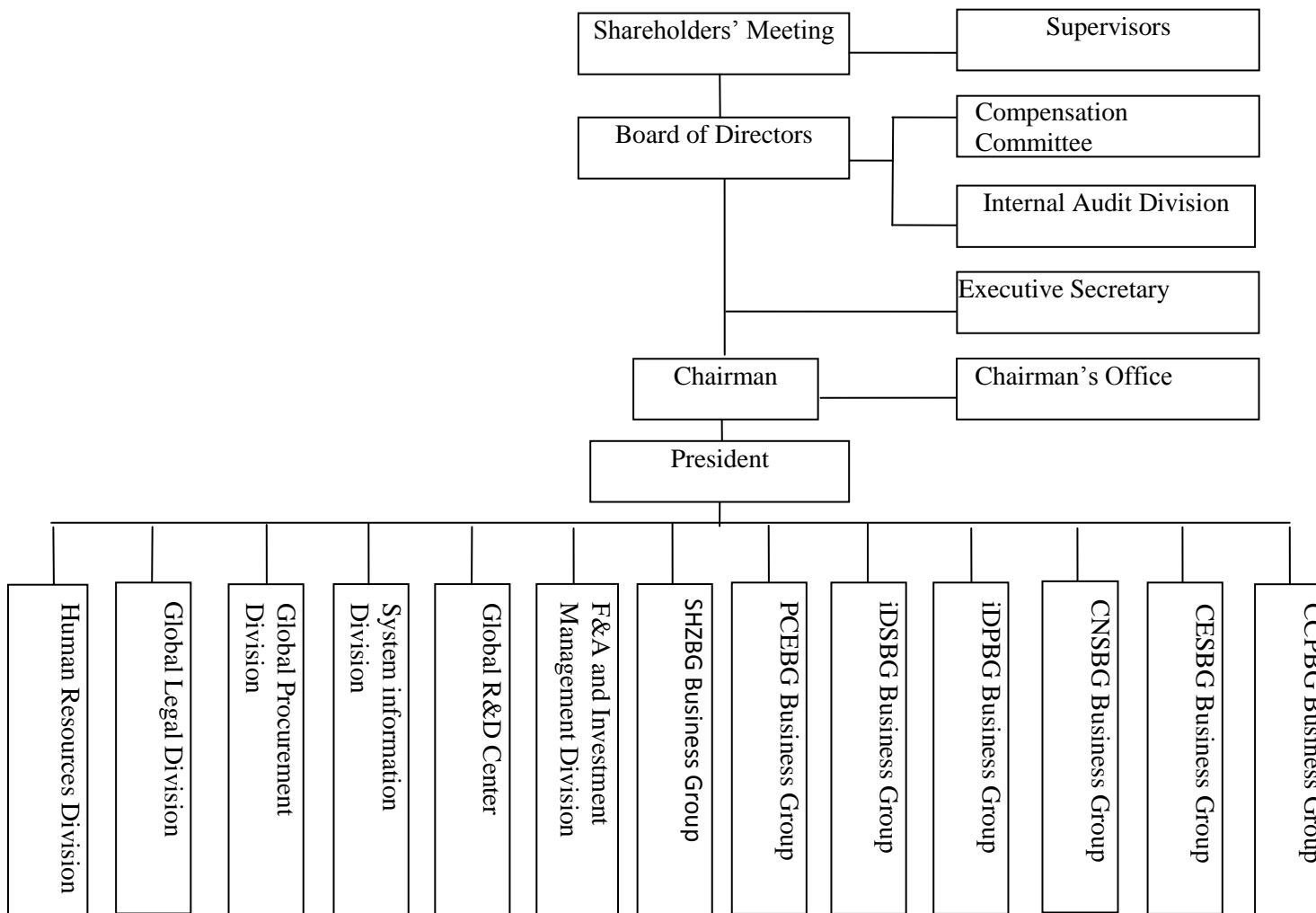
#### In 2015

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

### III. Corporate Governance Report

#### A. Organization

##### (1) Organization Chart



## **(2) Department functions**

### **Internal Audit Division**

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

### **President**

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

### **Business Group**

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

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

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

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

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

### **System Information Division**

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

### **Global Procurement Division**

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

### **Global Legal Division**

Responsible for developing, applying and maintaining intellectual property rights for the Company and dealing with relevant lawsuits.

### **Human Resources Division**

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

**(3) Directors and Supervisors**

Date: 04/24/2016

Title	Nationality or Place of Registration	Name	First Elected Date	Shares held when elected		Current shareholding		Shares currently held by their spouses and minor children		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies
				Number	%	Number	%	Number	%	Number	%		
Chairman	Republic of China	Gou, Tai-ming (Terry Gou)	Feb. 20, 1974	1,473,989,536	12.45	1,973,952,862	12.62	0	0	0	0	Graduated from China Marine Technical College Director of Taiwan Electrical Equipment Association, Chairman of Mold Industry Association	None
Director	Republic of China	Hon Chiao International Investment Co., Ltd	June 10, 1995	18,657,897	0.16	24,135,854	0.15	0	0	0	0	None	None
	Republic of China	Representative: Tai, Jeng-wu	July 1, 2001	10,869,951	0.09	9,413,104	0.06	3,522,885	0.02	0	0	Tatung Institute of Technology, Taiwan	President of Xinxi Technology (Stock) Company President of Taiwan efei.hu.com Information Co., Ltd. President of ESON Precision Engineering Co. Ltd. Director of Fitipower Integrated Technology Inc. President of Hangzhou efei.hu.com Information Technology Co., Ltd. President of Shenzhen Fuxuntong Trading Co., Ltd. President of Foxconn Precision Component (Shenzhen) Co., Ltd. President of Shenzhen Fujun Material Technology Co., Ltd. Director of Fuhongyuan Environmental Technology (Shenzhen) Co., Ltd. President of EFEIHU HOLDINGS LIMITED



Director	Republic of China	Hon Jin International Investment Co., Ltd	June 8, 2007	1,302,812	0.01	1,685,317	0.01	0	0	0	0	None	None
	Republic of China	Representative: Lu, Fang-ming	June 8, 2007	6,344,859	0.05	7,390,888	0.05	1,589,787	0.01	0	0	Master's Degree of Institute of Applied Physics, Chung Yuan Christian University Taiwan General Manager of Asia-Pacific Region, Lingyun Science and Technology Co. Ltd. General Manager of Taiwan Computer System, Hewlett Packard	President of Asia Pacific Telecom Director of Foxconn Interconnect Technology Limited
Director	Republic of China	Chien, Yi-bin	June 26, 2013	1,589,324	0.01	1,285,477	0.01	0	0	0	0	International trade department of Tamkang University	President of Wuhan Flnet Trading Co., Ltd. Director of Expressive Profits Incorporated.
Director	Republic of China	Huang, Qing-Yuan	June 8, 2007	0	0	0	0	0	0	0	0	Master's Degree, Graduate School of Business, Nihon University, Japan PhD, Graduate School of Business, Nihon University	Independent Director of Cathay Life Insurance Corporation Independent Director of Cathay Securities Corporation Independent Director of Cathay Financial Holdings Managing (Independent) Director of Cathay United Bank Independent Director of TAIWANGLASS GROUP Director of Taiwan Stock Exchange Corporation
Independent Director	Republic of China	Wu, Yu-Chi	June 8, 2010	0	0	0	0	0	0	0	0	Master's Degree in Accounting, National Taiwan University	Supervisor of I-Sheng Electric Wire & Cable Co., Ltd. President of Ji-Tou United Accountant Firm
Independent Director	Republic of China	Liu, Cheng-Yu	June 8, 2007	0	0	0	0	0	0	0	0	Master's Degree in Finance, National Taiwan University	Independent Director of Stemcyte International, Inc. Attorney of I-Si Technology Law Firm
Supervisor	Republic of China	Fu-Rui International Investment Co.,	June 15,	56,536,398	0.48	73,135,483	0.47	0	0	0	0	None	None

	Republic of China	Representative: Cho, Min-chi	June 26,	0	0.00	0	0	0	0	0	0	0	Master's Degree in Accounting, National Chengchi University	CPA of Huizhong United Accountant Firm
Supervisor	Republic of China	Wan, Jui-hsia	June 26, 2013	0	0.00	0	0	0	0	0	0	0	Master's Degree in Accounting, Soochow University Deputy professor, Department of Account, National Taiwan University	Supervisor of Cheng Uei Precision Industry Co., Ltd. Supervisor of Kanglainsheng Medical and Science Co., Ltd.

Notes:

1. Directors (including Independent Directors) and Supervisors were elected and appointed on June 26, 2013, took office on July 1, 2013 for a term of 3 years.
2. The Directors (including Independent Directors) and Supervisors do not have a spouse or second-degree relatives being managers, Directors or Supervisors in the Company.

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

Date: 4/24/2016

<b>Name of Institutional Shareholder</b>	<b>Name of Major Shareholders</b>	<b>Percentage</b>
Hongqiao International Investment Co., Ltd.	Outstanding Growth Ltd., British Virgin Islands	90.99%
	Shijun International Investment Co., Ltd.	9.01%
Hongjing International Investment Co., Ltd.	Hongyuan International Investment Co., Ltd.	50%
	Hongqi International Investment Co., Ltd.	50%
Furui International Investment Co., Ltd.	Xu Muji	99.84%
	Chien, Yi-bin	0.16%

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

Date: 4/24/2016

<b>Name</b>	<b>Major shareholders</b>	<b>Percentage</b>
Outstanding Growth Ltd., British Virgin Islands	Jumboelite Holdings Limited	100%
Shijun International Investment Co., Ltd.	Great Century International Ltd.	100%
Hongyuan International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%
Hongqi International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%

**(6) Professional knowledge and independence check matrix of directors and supervisors**

Qualification  Name	Has over five years work experience and following professional qualifications			Independence Attribute (See Notes Below)										Concurrent independent director position in other publicly traded companies
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
Gou, Tai-ming			✓					✓	✓	✓	✓	✓	✓	0
Tai, Jeng-wu			✓			✓	✓	✓	✓	✓	✓	✓		0
Lu, Fang-ming			✓			✓	✓	✓	✓	✓	✓	✓		0
Chien, Yi-bin			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Qing-Yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Wu, Yu-Chi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu, Cheng Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wan, Jui-hsia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cho, Min-chi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

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

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

(7) Management Team Information

4/24/2016

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager			
				Number	%	Number	%	Number	%			Title	Name	Relation	
Chairman and President	Republic of China	Terry Gou	Feb. 20, 1989	1,973,952,862	12.62	0	0	0	0	Graduated from China Marine Technical College Director of Taiwan Electrical Appliances Equipment Association Chairman of Mold Industry Association	None	None	None	None	
Department General Manager	Republic of China	Tai, Jeng-wu	Aug. 1, 1992	9,413,104	0.06	3,522,885	0.02	0	0	Tatung Institute of Technology, Taiwan	President of Xinxi Technology (Stock) Company President of Taiwan efeihu.com Information Co., Ltd. President of ESON Precision Engineering Co. Ltd. Director of Fitipower Integrated Technology Inc. President of Hangzhou efeihu.com Information Technology Co., Ltd. President of Shenzhen Fuxuntong Trading Co., Ltd. President of Foxconn Precision Component (Shenzhen) Co., Ltd. President of Shenzhen Fujun Material Technology Co., Ltd. Director of Fuhongyuan Environmental Technology (Shenzhen) Co., Ltd. Director of Efeihu Holdings Limited	None	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Department General Manager	Republic of China	You, Xiang-fu	May 27, 1992	65,401,751	0.42	32,624,573	0.21	0	0	Graduated from Tamsui Institute of Business Administration, Taiwan	President of Fuyu Energy Technology (Kunshan) Co., Ltd. President of FuYuSheng (Zhengzhou) Energy Technology Co., Ltd. President of FuYucheng (Zhengzhou) Agricultural Biotechnology Co., Ltd.	None	None	None
Department General Manager	Republic of China	Lu, Fang-ming	Apr. 1, 2003	7,390,888	0.05	1,589,787	0.01	0	0	Master's Degree of Institute of Applied Physics, Chung-Yuan Christian University Taiwan General Manager of Asia-Pacific Region, Lingyun Science and Technology Co., Ltd. General Manager of Taiwan Computer System, Hewlett Packard	Chairman of Asia Pacific Telecom Director of Foxconn Interconnect Technology Limited	None	None	None
Department General Manager	Republic of China	Chien, Yi-bin	Jun. 1, 2005	1,285,477	0.01	0	0	0	0	International Trade Department of Tamkang University, Taiwan	President of Wuhan City FuLian Internet Trading Company Ltd. Director of Expressive Profits Incorporated.	None	None	None
Department General Manager	Republic of China	Xu, Mu-ji	Jun. 1, 2005	6,954,715	0.04	0	0	0	0	Graduated from National Chin-Yi University of Technology, Taiwan	President of Hongzhun Precision Tooling (Shenzhen) Co., Ltd.	None	None	None
Department General Manager	Republic of China	Zhong, Yi-wen	Jan. 1, 2007	215,981	0	0	0	0	0	Bachelor degree in economics, Iowa State University, U.S.A. Manager of Hon Hai Precision Industry Co., Ltd.	President of Hongfujin Precision Industry (Shenzhen) Co., Ltd.	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Department General Manager	Republic of China	Ling, Zhi-ping	Jan. 21, 2009	2,102,110	0.01	0	0	0	0	Enterprise Research Institute of University of Washington, U.S.A. School of Business, Taiwan University	Directors of JianHan Technology (shares) Company Director of Guozhou Electronic (Shanghai) Co., Ltd. Director of Ambit Microsystems (Shanghai) Ltd. Director of Amtec (Shanghai) Holdings Ltd.	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Deputy Department General Manager	Republic of China	Xiong, Bing-zheng	Aug. 31, 2009	1,272,547	0.01	155,373	0	0	0	Industrial Management Department of Taiwan Institute of Industrial Skills Industrial Engineering Department of Taiwan Institute of Technology	Director of Pan International Electronics Co., Ltd. Director of Dongguan Hongsong Precision Components Co., Ltd. Director of Foxconn Precision Electronics (Yantai) Co., Ltd. Director of Fu Hong yuan (Shenzhen) Environmental Technology Co. Ltd. Director of Hongfujin Precision Electronics (Yantai) Co., Ltd. Director of Competition Optical Technology Limited Director of Competition Team Technology Pte.Ltd. Director of Dominant Elite Holding Limited Director of Famous Rise International Limited Director of Foxconn Baja California S.A. De C.V. Director of Radiant Blossom Limited Director of Robust Sino Ventures Limited; Director of Universal Field International Limited; Director Foxconn Japan Co., Ltd.	None	None	None
Head Office General Manager	Republic of China	Li, Jin-ming	Oct. 17, 1997	526,783	0	0	0	0	0	Graduated from National Chengchi University, Taiwan Deputy general manager of Huafei Color Display System Co., Ltd. Manager of Taiwan Philip Co., Ltd.	Director of Shenzhen Tutaitong International Logistics Co., Ltd. Director of Foxconn (Far East) Limited (Cayman)	None	None	None



Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Financial Director	Republic of China	Huang, De-cai	Apr. 15, 1998	1,128,417	0.01	0	0	0	0	<p>Graduated from National Chiao Tung University, Taiwan</p> <p>Financial director of Vanguard International Semiconductor Corporation</p> <p>Manager of Taiwan Philip Co. Company</p>	<p>President of Hongyang Venture Capital Investment Co., Ltd.</p> <p>President of Shenzhen Fuzhifu Information Technology Co., Ltd.</p> <p>Directors of Hongqi International Investment Co., Ltd.</p> <p>Director of Banxin International Investment Co., Ltd.</p> <p>Director of Beijing efeihu.com E-commerce Co., Ltd.</p> <p>Director of Chengdu On-time Logistics Co., Ltd.</p> <p>Director of Chengdu efeihu.com E-commerce Co., Ltd.</p> <p>Director of Hangzhou efeihu.com E-commerce Co., Ltd.</p> <p>Director of Wuhan efeihu.com E-commerce Co., Ltd.</p> <p>Director of Shenzhen Fuxuntong Trading Co., Ltd.</p> <p>Director of Zhengzhou Airport Economic comprehensive experimental zone Zhongyuan Microfinance Limited</p> <p>Director of Zhengzhou Airport Economic comprehensive experimental zone Fu Yu vocational training school</p> <p>Supervisor of Pan-International Industrial Corporation</p> <p>Supervisor of Liyi International Investment Co., Ltd.</p> <p>Supervisor of Hongyuan International Investment Co., Ltd.</p> <p>Supervisor of Hongjing Investment Co., Ltd.</p>	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Accounting Director	Republic of China	Chou, Zong-kai	99.07.20	2,920	0	0	0	0	0	Master's Degree in accounting, Long Island University Manager of Deloitte & Touche, Taiwan Lecturer of Hsing Wu University, Taiwan	Director fo Apex Gold Limited Director of China Galaxy Enterprises Limited Director of FAS International Holdings Pte. Ltd. Director of Fast Victor Limited Director of Focus Pc Enterprises Ltd. Director of Full Bonus International Limited Director of Fuyong Co., Limited Director of Glory Star Investments Limited Director of Great Name Investments Limited Director of High Precision Holdings Limited Director of Mega Star Investments Limited Director of Operate Technology Limited Director of Precision Technology Investments Pte. Ltd. Director of Tongrand Limited Supervisor of Fuchuan Co.,Ltd. Supervisor of KCT Engineering Co., Ltd.	None	None	None

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

**(a) Remunerations of Directors**

Unit: NT\$Thousand

Title		Director	Director	Director	Director	Director	Independent Director	Independent Director
Name		Gou, Tai-ming (Terry Gou)	Hon Chiao International Investment Co., Ltd. Representative: Tai, Jeng-wu	Hon Jin International Investment Co., Ltd. Representative: Lu, Fang-ming	Chien, Yi-bin	Huang, Qing-Yuan	Wu, Yu-Chi	Liu, Cheng-Yu
Compensation of Directors	Remunerations (A)	The Company	5,400					
		All companies within the consolidated financial statement	5,400					
	Retirement allowance (B)	The Company	0					
		All companies within the consolidated financial statement	0					
	Remuneration from distribution of earnings (C)	The Company	0					
		All companies within the consolidated financial statement	0					
	Business execution expenses (D)	The Company	720					
		All companies within the consolidated financial statement	720					
Percent of A, B, C and D to net profit after tax		The Company	0.0042					
		All companies within the consolidated financial statement	0.0042					
Relevant remuneration of part-time personnel	Remuneration, money award and special expenses etc. (E)	The Company	53,823					
		All companies within the consolidated financial statement	53,823					

Retirement allowance (F)	The Company		0
	All companies within the consolidated financial statement		0
Employee profit sharing from earnings distribution (G)(Note)	The Company	Cash dividends	0
		Stock dividends	177,058
	All companies within the consolidated financial statements	Cash dividends	0
		Stock dividends	177,058
Number of stock certificates of employee (H)	The Company		None
	All companies within the consolidated financial statement		None
Number of stock certificates of employee (I)	The Company		None
	All companies within the consolidated financial statement		None
Percent of A, B, C, D, E, F and G to net profit after tax	The Company		0.1614
	All companies within the consolidated financial statement		0.1614
Is there any remuneration from other invested businesses apart from subsidiaries			None

Note: NT\$ 10,598,195,000 is set aside for employee remuneration for 2015 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

### Range of Remunerations

Range of remunerations paid to directors	Names of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies involved in financial statement (I)	The Company	All companies in the financial statement (J)
Under NT\$2,000,000	Terry Gou, Hon Chiao International Investment Co., Ltd., Tai Jeng-wu, Hon Jin International Investment Co., Ltd., Lu Fang-ming, Chien Yi-bin	Terry Gou, Hon Chiao International Investment Co., Ltd., Tai Jeng-wu, Hon Jin International Investment Co., Ltd., Lu Fang-ming, Chien Yi-bin	Terry Gou, Hon Chiao International Investment Co., Ltd., Hon Jin International Investment Co., Ltd.	Terry Gou, Hon Chiao International Investment Co., Ltd., Hon Jin International Investment Co., Ltd.
NT\$2,000,000 (included) ~ NT\$5,000,000 (excluded)	Huang, Qing-Yuan, Wu Yu-Chi, Liu Cheng-Yu	Huang, Qing-Yuan, Wu Yu-Chi, Liu Cheng-Yu	Huang, Qing-Yuan, Wu Yu-Chi, Liu Cheng-Yu	Huang, Qing-Yuan, Wu Yu-Chi, Liu Cheng-Yu
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	-	-	-	-
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	-	-	-	-
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	-	-	Tai Jeng-wu, Chien Yi-bin	Tai Jeng-wu, Chien Yi-bin
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	-	-	-	-
Over NT\$100,000,000	-	-	Lu Fang-ming	Lu Fang-ming
Total	9	9	9	9

**(b) Remunerations of Supervisors**

Unit: NT\$Thousand

Title	Name	Remuneration of supervisors						Proportion of A, B and C to net profit after tax %		Is there any remuneration from other invested businesses apart from subsidiaries
		Compensation (A)		Remuneration from earnings distribution (B)		Business execution expenses (C)		The Company	All companies in the financial statements	
		The Company	All companies in the financial statement	The Company	All companies in the financial statements	The Company	All companies in the financial statements			
Supervisor	Wan Jui-hsia	3,600	3,600	0	0	480	480	0.0028	0.0028	None
Supervisor	Fu-Rui International Investment Co., Ltd. Representative: Cho, Min-Chi									

**Range of Remunerations**

Range of Remuneration Paid to Supervisors	Name of Supervisor	
	Summation of the first three items (A+B+C)	
	The Company	All companies in the financial statement (D)
Under NT\$2,000,000	Fu-Rui International Investment Co., Ltd. Representative: Cho, Min-Chi	Fu-Rui International Investment Co., Ltd. Representative: Cho, Min-Chi
NT\$2,000,000 (included) ~ NT\$ 5,000,000 (excluded)	Wan Jui-Hsia	Wan Jui-Hsia
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	-	-
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	-	-
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	-	-
Over NT\$100,000,000	-	-
Total	3	3

**(c) Remunerations paid to the management team**

Unit: NT\$Thousand

Title	Name	Remunerations (A)		Retirement allowance (B)		Money award and special payment etc. (C)		Earning distribution as dividends for personnel (D) (Note)				Rate of total amount of A, B, C and D to pure profits after tax (%)		Number of stock certificates of employee		Number of shares of Employees Restricted Stock		Remuneration from other invested businesses apart from subsidiaries.
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company		All companies involved in financial statement		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	
								Cash Dividend \$	Stock Dividend \$	Cash Dividend \$	Stock Dividend \$							
General Manager	Terry Gou	19,689	19,689	610	610	103,664	105,671	-	523,679	-	523,679	0.4410	0.4423	-	-	-	-	-
Department General Manager	You, Xiang-fu																	
Department General Manager	Tai, Jeng-wu																	
Department General Manager	Lu, Fang-ming																	
Department General Manager	Jiang, Hao-liang																	
Department General Manager	Chien, Yi-bin																	
Department General Manager	Xu, Mu-ji																	
Department General Manager	Zhong, Yi-wen																	
Department General Manager	Ling, Zhi-ping																	
Deputy Department General Manager	Xiong, Bing-zheng																	
Head Office General Manager	Li, Jin-ming																	
Financial Director	Huang, De-cai																	
Accounting Director	Chou, Zong-kai																	

Note 1: NT\$ 10,598,195,000 is set aside for employee remuneration for 2015 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio. °

Note 2: : Department General Manager Jiang, Hao-liang was dismissed on Feb. 1, 2016. He is not included in the calculation for employee profit sharing.

### Range of Remunerations

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



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

Unit: NT\$Thousand

	Title	Name	Stock Dividends (Note)	Cash Dividends (Note)	Total	Proportion of total amount to net profits after tax (%)
Management team	General manager	Terry Gou	523,679	0	523,679	0.3566
	Department General Manager	You, Xiang-fu				
	Department General Manager	Tai, Jeng-wu				
	Department General Manager	Lu, Fang-ming				
	Department General Manager	Chien, Yi-bin				
	Department General Manager	Xu, Mu-ji				
	Department General Manager	Zhong, Yi-wen				
	Department General Manager	Ling, Zhi-ping				
	Department Deputy General Manager	Xiong, Bing-zheng				
	Head Office General Manager	Li, Jin-ming				
	Financial Director	Huang, De-cai				
	Accounting Director	Chou, Zong-kai				

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

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

Title	Item	Proportion of the total compensation to net profit after tax %			
		2015 (Note)		2014	
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors		0.161	0.161	0.162	0.162
Supervisors		0.003	0.003	0.003	0.003
General Manager and Deputy General Managers		0.441	0.442	0.451	0.452

Note: The amount of employee profit sharing in 2015 shall be proposed as stipulated according to the actual distribution of 2014.

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

- (i) According to the distribution of earnings as stipulated by Articles of Incorporation of the Company, there is no distribution to directors or supervisors, except employee profit sharing.
- (ii) The remunerations paid to general managers and deputy general managers during the recent two years include salary, money award, and employee profit sharing from earnings distribution. Salary and money award payment is handled according to the relevant procedures of the personnel regulations of the Company. Employee profit sharing from earnings distribution is proposed by the Board of Directors according to the distributable annual earnings and earnings distribution percentage stipulated by the amended Articles of Incorporation (not yet approved as of the printing date of this Annual Report), and upon approval of the shareholders' meeting.
- (iii) According to the Company's policy for payment of compensation, reasonable compensation shall be paid based on job evaluation of the personnel in the Company.

## B. Implementation of corporate governance

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

Seven meetings were held by the Board of Directors in the recent year (2015) with their attendance shown as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Chairman	Terry Gou	7	0	100%	-
Director	Representative of Hon Chiao International Investment Co., Ltd.: Tai, Jeng-wu	5	1	71.43%	-
Director	Representative of Hon Jin International Investment Co., Ltd.: Lu, Fang-ming	5	2	71.43%	-
Director	Chien, Yi-bin	2	3	28.57%	-
Director	Huang, Qing-Yuan	4	1	57.14%	-
Independent Director	Wu, Yu-Chi	7	0	100%	-
Independent Director	Liu, Cheng-Yu	7	0	100%	-

Other noteworthy matters:

Matters specified in Article 14.3 of Taiwan's Securities and Exchange Act or Board resolutions where other Independent Directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: None

Avoidance of Conflict of Interest by directors: directors to avoid the discussion and resolution of year end bonus and performance bonus.

Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors (such setting of an audit committee and improvement of information transparency etc.) for current and immediately past years: established the Audit Committee in 2016

### (2) Operation status of Audit Committee:

The Company does not have an audit committee.

**(3) Participation of supervisors in the operation of the Board of Directors:**

Seven meetings were held by the Board of Directors in the recent year (2015) with the attendance of supervisors shown as follows:

<b>Title</b>	<b>Name</b>	<b>Attendance in person</b>	<b>Attendance rate in person (%)</b>	<b>Remarks</b>
Supervisor	Wan, Jui-hsia	7	100%	-
Supervisor	Representative of Fu-Rui International Investment Co., Ltd.: Cho, Min-Chi	4	57.14%	-

Other noteworthy matters:

1. Organization and responsibilities of supervisors

(a) Communication of between supervisors with and the Company's employees and shareholders: Supervisors regard direct connection and dialogue with the Company's employees and shareholders from the perspective of supervisors

(b) Communication between supervisors with and internal audit director and accountants.

(1) Supervisors have no objection to the Audit director shall submit audit report submitted by the audit director of audit items to supervisors in the next following month after the audit is completed.

(2) Audit director shall attend the regular meeting of the Board of Directors and make prepare the audit service report to which supervisors do not have any no objection.

(3) Supervisors carry out face-to-face regular quarterly communication and communication in written form with accountants on finance regularly in each quarter in person and in writing.

2. If supervisors participating in board meetings have expressed opinions, meeting minutes shall record date and session of the board meeting, content of the resolution, resolution of the meeting and the response of the Company regarding the supervisor's opinion: None.

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

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM-Listed companies?	✓		(1) The Company has set a corporate governance code of practice, for the protection of shareholders' rights, to strengthen the functions of the BOD, respect the interests of stakeholders, enhance the transparency of information and relevant rules. Detailed information can be found on the Company's website.	No Difference
2. Equity structure and shareholder rights (1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? (2) Does the Company have a list of those who ultimately control the major shareholders of the Company? (3) How does the Company establish its risk management mechanism and firewalls involving related enterprises? (4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	✓  ✓  ✓  ✓		(1) The Investor Relations Department is dedicated to processing shareholder proposals or disputes.  (2) The Company has a list of major shareholders and who ultimately controls them and discloses this information pursuant to the laws.  (3) The Company has established appropriate internal risk control mechanisms and firewalls, pursuant to the rules for specific companies or groups related business operations and financial transactions, supervision measures for subsidiaries, rules of endorsement and guarantee, loans to others and guidelines for acquisition or disposition of assets. Business relations between affiliated enterprises have been evaluated by an independent third party to prevent violations of unlawful transactions.  (4) The Company has set operating procedures and critical control points to prevent insider trading.	No Difference
3. Organization and responsibilities of the Board of Directors (1) Does the Board of Directors set and implement a diversification policy?  (2) Has the Company establish other functional	✓  ✓		(1) The company follows Article 20 in Corporate Governance Principles to ensure boards' diversity. The company's BOD has adopted nomination system. The members of the BOD are diversified and possess different professional backgrounds and experience of management practices in order to build the whole structure of the Company's Board of Directors.(Please refer to page 15 for board members' professions and independence)  (2) The Company set up two independent directors and a	No Difference

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
<p>committees besides the Compensation Committee and Audit Committee?</p> <p>(3) Has the Company set performance assessment rules and methods for the BOD and does it perform this evaluation every year?</p> <p>(4) Does regularly evaluate the independence of the CPA?</p>	✓		<p>Compensation Committee, has also set up the FGSC Committee, Energy-saving Technology Development Committee, Employee Benefits Committee and Employee Retirement Reserves Oversight Committee; other functional committees will be set up depending on future needs.</p> <p>(3) The Company set the policies through the Compensation Committee to regularly review the performance evaluations of directors and managers, as well as the compensation policies, systems, standards and structures, and the recommendations are submitted to the BOD for discussion.</p> <p>(4) The Company regularly assesses the performance and independence of the CPA through the BOD. The recommended CPA is required to provide CVs and declarations (not in violation of Ethical Standards Publication No. 10) for the BOD to discuss the appointment and independence of the CPAs.</p>	
4. Does the Company establish communication channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	✓		The Company has set "Stakeholder Zone" and have the contact information for stakeholders to on its website to respond to major concerns regarding corporate social responsibilities from stakeholders.	No Difference
5. Has the company appointed a professional stock affairs agency for shareholders affairs?	✓		The Company authorized "Fubon Securities Co., Ltd." as stock service agency to handle shareholder transactions.	No Difference
6. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information?	✓		(1) The Company has placed financial and corporate governance information of each year on its website.	No Difference
(2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	✓		(2) The Company has an English website and a spokesperson, investor relations department and shareholder services department to disclose relevant information. The Company issued global depository receipts (GDR) in London, and discloses company information on its website according to the provisions of the relevant rules of the London Stock Exchange.	No Difference
7. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and	✓		(1)Interests and rights of employees: The Company has always treated employees in good faith to ensure their legal interests and rights in accordance with the Labor Standards Act. (2)Care for employees: by adopting a welfare system and good education and training, a relationship of mutual trust has been established with employees. Such as: employee benefits and community cultural and recreational activities and entertainment, health clinic grants and medical advice, the Company also provides staff quarters, rented	No Difference

Item	Implementation Status			Difference from <i>Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and reasons</i>
	Yes	No	Description	
supervisors)?			<p>accommodations for staff, accommodation care, parking lots, etc.</p> <p>(3) Investor Relations: the Investor Relations Department was set up to specifically deal with shareholder proposals.</p> <p>(4) Supplier Relationship: good relations with suppliers are maintained at all times.</p> <p>(5) Relations with stakeholders: stakeholders shall communicate with the Company and put forward proposals to protect their due legal rights and interests.</p> <p>(6) Continuing education of directors and supervisors: the Company's directors are qualified with industrial professional knowledge and practice experience in operation management. Please refer to the following table for more information on continuing education (please refer to the table below for specific case studies).</p> <p>(7) Execution of risk management policy and risk measuring standards: various internal regulations are established legally for various risk management and evaluation.</p> <p>(8) Execution of customer policies: stable and good relations with customers are maintained with the view of creating profits.</p> <p>(9) Liability insurance for the Company's directors and supervisors: liability insurance has been covered for directors and supervisors.</p>	
8. Does the Company have a corporate governance self-assessment report done by the Company itself or outsourced to professional agencies? (If yes, please state the Board's views, the self-evaluation or outsourced assessment result, the main issues and shortcomings and recommendations for improvement.)	✓		The Company completed the self-assessment in accordance with the Taiwan Stock Exchange Corporation first-time evaluation of corporate governance, the evaluation results were announced on April 8, 2016.	No Difference

## Continuing Education of Directors and Supervisors in 2015

Title	Name	Date	Organizer	Course	Hours
Director	Tai, Jeng-wu	2015/06/15	Securities & Futures Institute	The Identification of Insider Irregular Business Behavior and Business the Application of Business Judgment Rule	3
		2015/06/30	Securities & Futures Institute	How to Use Financial Information to Make Better Business Decisions	3
Director	Huang, Qing-Yuan	2015/06/18	Securities & Futures Institute	Case Studies on Family Succession Planning and Implementation of Directors and Supervisors	3
		2015/09/30	Securities & Futures Institute	Measures to Halve the Tax Deduction of Shareholdings and Dividend of Directors and Supervisors and the Coping Strategy	3
Independent director	Liu, Cheng-Yu	2015/08/27	Securities & Futures Institute	Forum of Director and Supervisor from Listed Companies – Symposium of Enterprise Credit Risk Management and Social Responsibilities	3
Independent director	Wu, Yu-Chi	2015/12/22	ROCCPA	Regulations on Real Estate Appraisal and Case Study on Development Assessment	6
		2015/12/28	ROCCPA	Enterprise Performance Management (Taipei)	3
		2015/12/28	ROCCPA	Defense Strategy in M&A and Corporate Spin-off (Taipei)	3
Supervisor	Wan Jui-hsia	2015/08/27	Securities & Futures Institute	Forum of Director and Supervisor from Listed Companies – Symposium of Enterprise Credit Risk Management and Social Responsibilities	3



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

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

D	Conditions	Has over 5 years of work experience and following professional qualifications			Independence Attribute (Note)								Concurrent compensation committee position in other publicly listed companies
	Name	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	
Independent Director	Wu, Yu-Chi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Liu, Cheng-Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Other	Lin, Song-Shu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

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

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

(1) There are 3 members in the Company's Compensation Committee.

(2) Current Term: From August 13, 2013 to June 30, 2016. The Compensation Committee held three meetings in the recent year, the qualifications and attendance of the Committee are shown as follows:

<b>Title</b>	<b>Name</b>	<b>Attendance in person</b>	<b>By proxy</b>	<b>Attendance rate in person (%)</b>	<b>Remarks</b>
Convener	Wu, Yu-Chi	3	0	100%	None
Member	Liu, Cheng-Yu	3	0	100%	None
Member	Lin, Song-Shu	3	0	100%	None
Other noteworthy matters: 1. The Board of Directors does not accept or amend Compensation Committee suggestions: None 2. The resolutions of the Compensation Committee which committee member has oppositions or reservations: None					

## (6) Performance of Social Responsibilities

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

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

Items	Implementation Status		Descriptions	Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No		
			related international promotional events. Carbon dioxide emission was 6.94 million tons and 7.22 million tons respectively in 2014 and 2015. The company has also began to promote energy management and implement key Internet-based intelligent energy programs vigorously, such as promoting green building, eliminating inefficient motor to boost energy conservation, proper A/C temperature setting, turning off the light when leaving the room, water saving program, etc. The energy saving and emission reduction goals were set and implemented, for example, the carbon dioxide emission were 500K tons and 470K tons respectively in 2014 and 2015. The company plans to reduce 22% of the carbon dioxide emission, i.e. 1.588 million tons by 2020, increase energy saving to up to 20%, i.e. save 1.56 billion kwh, with a total benefit of up to NT\$5.533.	
3.Protect social public interests				
(1) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights?	✓		(1) The Company has set employees codes of conduct in accordance with labor laws and related personnel regulations, to protect the legitimate rights and interests of employees.	No Difference
(2) Has the Company set up an employee complaint mechanism and proceed with care?	✓		(2) The Company provides a standardized system to receive employee complaints. New employees are informed about this system from the very first day of employment. There are appropriate compliant channels for all kinds of compliants, including compliant of illegal practice of company personnel, compliants to safeguard personal legitimate rights and interests.	
(3) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	✓		(3) The Company provides training courses on labor safety and health during new employee orientation. 43 courses were provided in 2015. The Company has Health Management Center to provide medical and healthcare related consultation and assistance and host health and work safety training programs. 17 such programs were provided in 2015.	
(4) Does the Company establish regular communication mechanisms for employees, and inform employees of the operation changes that may have significant impact on employees in a reasonable way?	✓		(4) The Company regularly holds various communication meetings with employees to convey the Company's policies and information.	
(5) Has the Company established an effective competency development career training program for employees?	✓		(5) The Company's Career Development unit is tasked with the planning and implementation of the Career Development Program.	
(6) Has the Company set up consumer protection policies and reporting	✓		(6) The Company follows the regulations on limited use/prohibited use of hazardous	

Items	Implementation Status		Descriptions	Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No		
<p>procedures regarding R&amp;D, procurement, production, operation and service processes?</p> <p>(7) Is the company in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services?</p> <p>(8) Does the Company assess the past records of supplier's in terms of its impact on the environment or society before the signing the contract.</p> <p>(9) Does the Company, in its contract with its major suppliers, include clause such as that the Company may terminate the contract any time when the supplier is found violate its social responsibilities, and when such violation has significant impact on the environment and society.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>substance and conflict minerals in an all-round way, to provides the related information to customers and to handle abnormal events reported.</p> <p>(7) The Company complies with applicable regulations and international standards for the regulation of commercial activity and integrity management.</p> <p>(8) The Company evaluates the environmental and social impact when certificating a new supplier. The evaluation items include: employees' rights, health and safety, and environmental impact.</p> <p>(9) The Company requests suppliers to sign "purchase contract," which includes the policy of corporate social responsibility: Suppliers ensure compliance with ISO14001 and OHSAS18001 in social responsibility, environmental responsibility and occupational health and safety requirements. In the meantime, ensuring compliance with "Foxconn Supplier Social and Environmental Codes of Conduct," as well as the Electronics Industry Code of Conduct (EICC). If the supplier violates the above requirements, the Company has the right to terminate such contract or purchase order, and the supplier is responsible for the Company's damages.</p>	
<p>4. Enhanced information disclosure Does the Company disclose relevant critical and reliable information on corporate social responsibilities on its website and MOPS?</p>	<p>✓</p>		<p>As an EICC member, the Company is dedicated to promoting social and environmental responsibilities (hereinafter referred to as SER), and develops "Foxconn Global Codes of Conduct: Social and Environmental Responsibilities" and sets up a CSR section on its website.</p>	<p>No Difference</p>

5. If the Company makes its own corporate social responsibilities according to the *Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies*, please state the differences:  
 No difference

6. Other important information that helps understand the operation situation in terms of the corporate social responsibilities:
- (1) Adopted new processing system to enhance the capacity to recover wastes and sewage. The new system has been installed and put into operation in some areas in the plant.
  - (2) Donated NT\$10,440,000 to the National Tsing Hua University.
  - (3) Donated NT\$4,582,500 to the National Kaohsiung University of Applied Sciences.
  - (4) Donated NT\$3,523,432 to the National Hsinchu University of Education.
    1. Donated NT\$2,500,000 to the National Chung Cheng University.
    2. Contributed NT\$2,300,000 to the National Taiwan University for operation expenses of HackNTU
    3. Donated NT\$86,900 worth of Webme video equipment to NTUT
    4. Donated NT\$1,921,595 to Pacific Primary School of Taitung county
    5. Donated NT\$10,000,000 to the Bureau of Social Affairs of New Taipei City
    6. Donated NT\$25,000,000 to Star Rock Foundation
    7. Donated NT\$10,000,000 to Boyo Social Welfare Foundation
    8. Donated NT\$3,000,000 to Fulin Culture and Art Foundation
    9. Donated NT\$ 209,050 to the Commonwealth Magazine Education Foundation
  - (5) Donated NT\$200,000 to Sinocon Industrial Standards Foundation
    10. Contributed NT\$360,000 to Kuan Shen Dijun Events.
  - (6) Donated NT\$151,823 to PricewaterhouseCoopers
    11. Base on the respect to employees, the Company emphasizes that it does not hire child labor, does not force employees to work overtime. Managers are prohibited to discriminate or harass against employees. All these measures are all announce officially.
  - (7) The company has Safety and Health Department, examining the facilities, providing training to employees on industrial safety and health and conduct performance review on a regular basis

The company has a supplier management department, providing audit and trainings on corporate social responsibilities to suppliers

7.A clear statement shall be made if the corporate social responsibilities report of the Company passed the inspection of relevant certification agencies:

The Company will submit its annual report on corporate social responsibilities to obtain the AA1000 certificate.

## (7) Status of Implementation of Integrity Operation

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



Items	Implementation Status			Difference from the <i>Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies</i> and reasons
	Yes	No	Description	
(5) Does the Company organize internal or external trainings in the integrity of business management regularly?	✓		(5) All employees need to attend at least two hours per year of CSR Code of Conduct training; holding the suppliers conference and performing occasional supplier SER audits each year, communicate to the supply chain partners of which the Company requirements.	
3. Report System operating status (1) Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?  (2) Has the company set the standard operating procedures and related non-disclosure mechanisms to investigate reported matters?  (3) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	✓  ✓  ✓		(1) There is an item regarding reporting system in the Company's Integrity Operation Rules. A reporting channel is provided on its official website as well. Information such as reporting procedure, feedback of the issues can also be found there.  (2) The Company has set up the dedicate groups for acceptance and investigation of misconducts, which will perform in accordance with the principle of confidentiality and standard investigation procedures.  (3) The Company clearly defined in corporate social responsibility codes of conduct which will protect both identity and anonymous reports for suppliers and employees to ensure the identity of the confidential informant.	No Difference
4. Enhance information disclosure Does the company disclose the information of implementation and results of integrity management on its website and the MOPS?	✓		The Company has established <i>Integrity Operation Rules</i> , and discloses the implementation results on SER annual report. The content of the <i>Integrity Operation Rules</i> and the implementation results are disclosed on company official website and the MOPS.	No Difference
If the company develops its own integrity operation rules according to the <i>Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies</i> , please state the differences: No Difference.				
6. Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation) (1)The Company strictly abides by the Company Act, the Securities Exchange Act, Business Entity Accounting Act, publicly traded relevant rules and other relevant laws and regulations of business conduct as the basis for the implementation of the integrity management. (2)Please refer to the Company's official website <a href="http://www.foxconn.com">http://www.foxconn.com</a> for the <i>Integrity Operation Rules</i> and <i>Annual Report on Corporate Social and Environmental Responsibilities</i> .				

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

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

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

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

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

### **(a) Statement of internal control system**

Hon Hai Precision Industry Co., Ltd.

Statement of Internal Controls

Date: 03/30/2016

According to the examination on internal control system done by the Company itself in 2015, we hereby states as follows:

(1) The Company’s board of directors and management team understand their responsibilities of developing, implementing and maintaining the Company’s internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings ,operation performance and the safeguard of company assets); (b) The reliability of the financial and related reports; and (c) The compliance of the relevant laws/regulations and company policies;

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

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

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

(5) The examination result indicated that the Company’s internal control system (including subsidiary governance) dated December 31, 2015 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies

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

(7) The Company hereby declares that this statement had been approved by the Board of Directors on 03/30/2016. Among the 6 attending Directors, no one raised any objection to the contents of this statement.

Hon Hai Precision Industry Co., Ltd.

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

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

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

None

**(11) Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures:**

None

**(12) Important resolutions made by the Shareholders' Meeting and Board of Directors by the end of 2015 and the printing date of the annual report**

**(a) The resolutions approved by the entire attending shareholders at the regular shareholders' meeting on June 25, 2015 and its implementation**

Resolutions	Implementation
Approved Business Report and Financial Statements of 2014	-
Approved Earnings Distribution Plan of 2014	Shareholder's stock dividend: NT\$0.5 per share. Listed on Nov. 3, 2015. Shareholder's cash dividend: NT\$3.8 per share. Distributed on Oct. 7, 2015.
Approved to the Proposal of the Issuance of New Common Shares for Capital Increase by Retained Earnings	The new shares for capital increase by retained earnings: 844,881,365 shares(including capital increase by employee bonus 105,211,021 shares). The date of allocation was set to be September 10, 2015 and the date of list Nov. 3, 2015.
Approved the amendments to the <i>Policies and Procedures for Financial Derivatives Transactions</i>	Has been implemented in accordance with the amendments.
Approved the amendments to the Articles of Incorporation	Approved for registration by the Ministry of Economic Affairs on July 28, 2015.
Approved the amendments to the <i>Regulations Governing the Election of Directors and Supervisors</i>	Will implement in accordance with the amended regulations

**(b) Important resolutions of the Board of Directors from 2015 to April 30, 2016**

(1) May 15, 2015

Resolutions include: the distribution plan of 2014 profit of the Company; the issuance of new shares for capital increase by retained earnings; the issuance of the 1<sup>st</sup> overseas unsecured convertible corporate bonds in 2015; the indirect capital increase in Zhengyilonghua Special Material (Shenzhen) Co., Ltd.; the indirect investment in Fumeng Electronical Technology(Heze) Co., Ltd.; the indirect investment in Beijing Ainemo Network Technology Limited; the investment in overseas company Jide Technology (Hong Kong) Limited and Beijing Jide Network Technology Limited.; the indirect acquisition of equity of Fushirui Precision Industry (Jincheng) Co., Ltd.; the capital increase to the British Cayman Islands subsidiary of Foxconn (Far East) Limited.; the amendments to the Articles of Incorporation; the amendments to the Regulations Governing the Election of Directors and Supervisors; the Code of Practice on Corporate Governance; and the assessment of the independence of the certified public accountant.

(2) May 28, 2015

Resolution: the issuance of new restricted stock to employees.

(3) August 13, 2015

Resolutions include: the formulation of the distribution base day for the issuance of new shares for capital increase by retained earnings of 2014; the formulation of the granting date and ex-dividend base day for cash dividend of 2014; the application of the short-term credit line to financial institute for the needs of working capital turnover and interest and foreign exchange rate risk management; to provide endorsement for overseas subsidiary (Foxconn Slovakia, spol. s r.o.) to apply for bank credit line; Ambit Technology Co., Ltd, a subsidiary of the Company, with which the company has 85.1% shares, intended to apply for short-term (within one year) credit line extension to financial institution to meet the operation needs. Per the requirement of the financial institution, the Company provided the Letter of Support; the capital increase to the British Virgin Islands subsidiary of Foxconn Holding Limited; the indirect investment in Han Yang Optics (Shang Hai) Ltd.; the indirect investment to set up Fuzhun Precision Tooling(Jiashan)Co., Ltd.; the indirect investment to set up Jin Ji Full Precision Machinery (Wuhan) Co., Ltd.; the indirect investment to set up Rich Dreams Network Technology(Shenzhen) Co., Ltd.; the indirect investment to set up Shenzhen Nano Photoelectric Co., Ltd.; the indirect investment in Anhui Hongqing Precision Machine Co., Ltd.; the indirect investment in Ambit E-commerce (Jiashan) Co., Ltd.; the indirect capital increase in First Special Material (Henan) Limited; the indirect capital increase in Shunsin Technology (Zhong Shan) Limited; the indirect capital increase in Qing Ding Precision Electronics (Huai An ) Co . Limited; the indirect capital increase in Yu Ding Precision Electronics (Huai An ) Co . Limited; the indirect capital increase in Interface Opto Electronics(Shenzhen) Co., Ltd.; and the indirect capital increase in Interface Technology (Chengdu) Ltd.

(4) August 28, 2015

Resolution: signed the letter of intent of the strategy alliance with Siliconware Precision Industries Co., Ltd.

(5) September 15, 2015

Resolutions include: the issuance of new shares to acquire common shares of Siliconware Precision Industries Co., Ltd. in order to carry on the strategic alliance; and the issuance of domestic unsecured ordinary corporate bonds to raise medium to long term funds

(6) November 16, 2015

Resolutions include: the capital reduction of the cancellation of the new restricted stocks to employees; the issuance of short-term non-guarantee commercial notes so as to meet the needs of operating working capital requirement; the application of the credit line to financial institutions so as to meet the requirement of working capital turnover and the risk management of interest and exchange rate, and the contract signing; the indirect capital increase in Chengdu Jusda Delivery Logistics Management Co., Ltd.; the indirect investment in Fu Hua Ke Precision Industry (Guizhou) Co., Ltd.; the

indirect capital increase in Shenzhen Futaihong Precision Industria Col, Ltd.; the disposal of the investment in the Mainland of Kunshan Limeng Machinery Industry Co., Ltd.; the final version of the *Operating Procedure for Application to Suspend and Resume Trading*; the final version of the *Code of Practice for Corporate Social Responsibility*; the final version of the *Code of Good Faith Operating*; 2016 Annual Audit Plan; the Company's 2015 bonus distribution plan for managers.

(7) March 30, 2016

Resolutions include: The Company and its Cayman subsidiary Foxconn (Far East) Limited signed trading contract with Sharp Corporation to acquire the newly issued common shares and preferred shares of Sharp; the amendments to the Articles of Incorporation; the draft of 2015 employee compensation distribution plan; the rectification of 2015 Business Report and Financial Report; the proposal of the election of directors; the proposal to lift the non-competition restrictions to directors; to set the date and subjects for the 2016 regular shareholders' meeting; to approve shareholders' proposals and director nominees; the cancellation of the issuance of the 1<sup>st</sup> overseas unsecured convertible corporate bond in 2015; to provide the endorsement for the Company's overseas subsidiary Falcon Precision Trading Limited for the application of short-term working capital lines of RMB400 million(or the equivalent of US\$) from Mega International Commercial Bank; to provide the endorsement for the companies overseas subsidiary Competition Team Technologies Limited, Falcon Precision Trading Limited and Best Leap Enterprises Limited for the renewal of the shared short-term credit lines; the capital increase to British Cayman Island subsidiary Foxconn (Far East) Limited, the capital increase to British Virgin Island subsidiary Foxconn Holding Limited; the indirect capital increase in Hongfujin Precision Electronics (Zhengzhou) Co., Ltd.; the indirect investment to set Lankao Yuzhan Precision Technology Co., Ltd.; the indirect capital increase in Hong Fu Zhun Precision Industry (Shenzhen) Co., Ltd.; the indirect capital increase in Anhui Hongqing Precision Machine Co., Ltd.; the indirect capital increase in Fushirui Precision Industry (Jincheng) Co., Ltd.; the indirect investment in Henan Yuzhan Precision Technology Co., Ltd.; the indirect capital increase in Yantai Fuhuada Precision Electronics Co., Ltd.; the indirect capital increase in Hongfutai Precision Electrons (Yantai) Co., Ltd.; the indirect capital increase in Shenzhen Fujun Material Science Co., Ltd.; the indirect acquisition of the equity of Yantai efeihu Information Technology Co., Ltd.; the indirect capital increase in Shenzhen Nano Photoelectric Co., Ltd.; the indirect acquisition and capital increase of NxEra Information Technology (Shenzhen) Co., Ltd.; the approval of the Internal Control Statement for 2015; to establish the Plan to Improve the Internal Ability to Prepare Financial Report; the ractification of 2015 year end bonus and performance bonus distribution to managers; the rectification of the acquisition of equipment.

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

None

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

Title	Name	Date Assumed	Date Dismissed	Reason for Dismissal
Department General Manager	Jiang, Hao-liang	May 1, 2005	Feb. 1, 2016	Transfer

### C. Information on Accountants' Fees

#### (1) Range of accountants' fee

CPA Firm	Name of accountant		Inspection period	Remarks
PricewaterhouseCoopers Taiwan	Wu, Han-Chi	Chang, Ming-Hui	2015	PricewaterhouseCoopers Taiwan

Unit: NT\$Thousand

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

Unit: NT\$Thousand

CPA Firm	Name of accountant	Audit fee	Non-audit fee					Inspection period
			System design	Commercial registration	Human resources	Others (Note)	Subtotal	
PricewaterhouseCoopers Taiwan	Wu, Han-Chi	20,136	0	126	0	1,800	1,926	104.01.01
	Chang, Ming-Hui							104.12.31

Note: Service fee includes NT\$1,500 for transfer pricing service, NT\$200,000 for audit of direct deduction method, and NT\$100,000 for applying for Article 25-1 of Income Tax Act.

- (2) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee:

N/A

- (3) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year:

None

**(4) The audit fee is reduced by over 15% compared with the previous year:**

None

**D. Alternation of CPA**

**(1) About the Former CPA:**

Date of alternation	January 1, 2016		
Reason for alternation	The CPAs responsible for certification of the financial statement were Wu, Han-Chi and Chang, Ming-Hui from PricewaterhouseCoopers Taiwan. Due to internal job rotation of PricewaterhouseCoopers Taiwan, the CPAs responsible for certification of the financial statement were changed to Hsu, Yong-jian and Chang, Ming-Hui from the first quarter of 2016.		
Please specify where the appointment is terminated or unaccepted by the appointer or CPA	Related parties		CPA
	Situation	CPA	Appointer
	Voluntary termination of appointment	-	-
	No further acceptance (continuation) of appointment	-	-
Opinion and reason for any audit report other than unqualified opinion in the last two years	None		
Any disagreement with the issuer	Yes	-	Accounting principles or practices
		-	Discloser of financial statement
		-	Scope or steps of the audit
		-	Others
		-	
	No	✓	
	Remarks		
Other disclosures (Other items that need to be disclosed per Article 10.5(1).(iv) of the Criteria)	None		



**(2) About the Successor CPAs:**

Name of the firm	PricewaterhouseCoopers Taiwan
Name of the CPAs	Hsu, Yong-jian and Chang, Ming-Hui
Date of appointment	April 17, 2016
Prior to the formal engagement of the successor CPA, if the Company has consulted the CPA regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial statement, what was the subject consulted and what was the result?	None
The successor CPA's written opinion regarding the matters on which the Company did not agree with the former CPA	None

**(3) Reply of the Previous Accountant:**

N/A

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

None.

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

**(1) Changes in Equity**

Title	Name	2015		Current year to 04/30	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Terry Gou	157,997,755	0	0	170,000,000
Director	Representative of Hongqiao International Investment Co., Ltd.: Tai, Jeng-wu	1,149,326	0	0	0
Director	Representative of Hongjing International Investment Co., Ltd.: Lu, Fang-ming	80,253	0	0	0
Director	Chien, Yi-bin	(119,025)	0	(121,000)	0
Director	Huang, Qing-Yuan	0	0	0	0
Independent Director	Wu, Yu-Chi	0	0	0	0
Independent Director	Liu, Cheng-Yu	0	0	0	0
Supervisor	Wan Jui-hsia	0	0	0	0
Supervisor	Representative of Furui International Investment Co., Ltd.: Cho, Min-Chi	3,482,642	0	0	0
Department General Manager	Tai, Jeng-wu	(4,882,043)	0	(20,000)	0
Department General Manager	You, Xiang-fu	2,257,226	15,000,000	0	0
Department General Manager	Lu, Fang-ming	1,341,375	0	0	0
Department General Manager	Chien, Yi-bin	(119,025)	0	(121,000)	0
Department General Manager	Xu, Mu-ji	225,034	0	(675,000)	0
Department General Manager	Zhong, Yi-wen	10,399	0	0	0

Title	Name	2015		Current year to 04/30	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Department General Manager	Ling, Zhi-ping	161,243	0	0	0
Deputy Department General Manager	Xiong, Bing-zheng	115,511	0	0	0
Head Office General Manager	Li, Jin-ming	(544,916)	0	0	0
Financial Director	Huang, De-cai	(1,041,552)	0	(144,000)	0
Accounting Director	Chou, Zong-kai	35,040	0	(140,000)	0

Unit: share

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

The counterparties of equity transfer are not related parties.

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

The counterparties of share pledges are not related parties.

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

Name	Shareholding		Spouse & Minor Minor Shareholding		Shares Held through Other Parties Shares held		Related Party (Note)		Remark
	Number	%	Number	%	Number	%	Name	Relation	
Terry Gou	1,973,952,862	12.62%	—	—	—	—	None	None	—
Citibank Hosting Government of Singapore Investment Account	351,004,222	2.25%	—	—	—	—	None	None	—
Chase Bank Hosting Central Bank of Saudi Arabia Investment Account	329,428,120	2.11%	—	—	—	—	None	None	—
Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depository Receipts Account	276,727,413	1.77%	—	—	—	—	None	None	—
Standard Chartered Bank hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	213,463,108	1.37%	—	—	—	—	None	None	—
Citibank hosting Norwegian Central Bank Investment Account	191,670,392	1.23%	—	—	—	—	None	None	—
JP Morgan Hosting STICHTING Depository APG Investment Account	187,961,791	1.20%	—	—	—	—	None	None	—
JP Morgan Chase Bank hosting Abu Dhabi Investment Authority Investment Account	182,273,381	1.17%	—	—	—	—	None	None	—
Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity low-priced stocks Fund	165,887,400	1.06%	—	—	—	—	None	None	—
JP Morgan Chase Bank Hosting Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	142,459,786	0.91%	—	—	—	—	None	None	—

Note: Names and relationship of any of the top ten shareholders being a related party as defined in the Statement of Financial Accounting Standards No. 6 or relatives within 2<sup>nd</sup> degree of kinship.

## H. Combined shareholding percentage

03/31/2016; unit: 1,000 shares

Shift in investment	Investment by the Company		Investment by directors, supervisors, managers, direct or indirect control groups		Combined investment	
	Shares	%	Shares	%	Shares	%
Foxconn (Far East) Ltd.	4,985,816	100.00%	-	-	4,985,816	100.00%
Hongyang Venture Capital (Shenzhen) Co., Ltd.	907,448	97.95%	18,952	2.05%	926,400	100.00%
Baoxin International Investment Co., Ltd.	894,600	100.00%	-	-	894,600	100.00%
Margini Holdings Ltd.	275,980	100.00%	-	-	275,980	100.00%
Ambit International Ltd.	53,100	100.00%	-	-	53,100	100.00%
Foxconn Holdings B.V.-Netherland	107,723	100.00%	-	-	107,723	100.00%
Foxconn Technology Co., Ltd.	138,342	9.92%	274,450	19.67%	412,792	29.59%
Foxconn Holding Ltd.	241,095	100.00%	-	-	241,095	100.00%
Hongyuan International Investment Co., Ltd.	307,000	100.00%	-	-	307,000	100.00%
Hongqi International Investment Co., Ltd.	299,100	100.00%	-	-	299,100	100.00%
Foxconn Singapore Pte. Ltd.	57,138	100.00%	-	-	57,138	100.00%
Foxconn SA B.V.	72,163	100.00%	-	-	72,163	100.00%
Pan-International Industrial Corp.	107,776	21.20%	29,620	5.83%	137,396	27.03%
Liyi International Investment Co., Ltd.	96,900	100.00%	-	-	96,900	100.00%
Sanchuang Digital Co., Ltd.	143,646	73.47%	-	-	143,646	73.47%
PREMIER IMAGE TECHNOLOGY (HK) LTD.	1,405	1.63%	84,753	98.33%	86,158	99.96%
Yangxin Technologies Co., Ltd.	65,811	64.59%	36,079	35.41%	101,890	100.00%
AMBIT Corporation	843,760	19.62%	3,085	0.07%	846,845	19.69%

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

## IV. Company Shares and Fund Raising

### A. Company capital and shares

#### (1) Capital and Shares

04/24/2016; Unit: 1,000 shares

Type	Authorized Capital			
	Issued Outstanding Shares (Listed Stock)	Non-issued Shares	Options, bonds, warrants, other convertible shares	Total
Registered Common Shares	15,638,288	1,861,712	500,000	18,000,000

#### (2) Sources of Capital

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

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

Year/ month	Issue price (NT\$)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT\$1,000)	Property other than cash offset by the number of shares	Approval date and document No.
1999/08	10	1,300,000	13,000,000	1,050,000	10,500,000	Capital increase 3,154,000 by earnings	None	June 30, 1999 (88),TCZ(I) No. 58593
1999/11	220.75	1,300,000	13,000,000	1,100,000	11,000,000	Capital increase 500,000 by cash	None	August 9, 1999 (88),TCZ(I) No. 63098
2000/08	10	2,400,000	24,000,000	1,452,900	14,529,000	Capital increase 3,529,000 by earnings	None	June 22, 2000 (89),TCZ(I) No. 54010
2001/08	10	2,400,000	24,000,000	1,768,780	17,687,800	Capital increase 3,158,800 by earnings	None	June 13, 2001 (90), TCZ(I) No. 137713
2002/08	10	3,000,000	30,000,000	2,064,897	20,648,970	Capital increase 2,961,170 by earnings	None	June 27, 2002 (91), TCZ(I) No. 135225
2003/08	10	3,000,000	30,000,000	2,519,174	25,191,744	Capital increase 4,542,774 by earnings	None	June 12, 2003 (92), TCZ(I) No. 920128415
2004/07	10	3,600,000	36,000,000	2,757,198	27,571,989	Capital increase 2,380,244 by merging	None	January 27, 2004 (93), TCZ(I) No. 920162759
2004/10	10	4,600,000	46,000,000	3,231,023	32,310,231	Capital increase 4,738,011 by earnings; Converse 231 Euro- convertible bond	None	July 21, 2004, JGZYZ No.0930132689
2005/05	10	4,600,000	46,000,000	3,238,718	32,387,189	Converse 76,957 Euro- convertible bond	None	—
2005/08	10	5,300,000	53,000,000	3,284,525	32,845,251	Converse 458,061 Euro- convertible bond	None	—
2005/09	10	5,300,000	53,000,000	4,003,171	40,031,717	Capital increase 7,186,466 by earnings	None	January 29, 2005, J G Z Y Z No.0940131076
2005/11	10	5,300,000	53,000,000	4,038,323	40,383,231	Converse 351,514 Euro- convertible bond	None	—
2006/04	10	5,300,000	53,000,000	4,099,953	40,999,534	Converse 616,303 Euro- convertible bond	None	—
2006/09	10	5,700,000	57,000,000	4,989,944	49,899,441	Capital increase 8,899,907 by earnings	None	July 11, 2006, JGZYZ No.0950129699
2007/03	10	5,700,000	57,000,000	5,168,139	51,681,388	Capital increase 1,781,947 by merging	None	October 19, 2006, JGZYZ No.0950147071
2007/09	10	7,000,000	70,000,000	6,290,767	62,907,665	Capital increase 11,226,277 by earnings	None	July 09, 2007, JGZYZ No.0960035148
2008/10	10	8,120,000	81,200,000	7,414,623	74,146,235	Capital increase 11,238,569 by earnings	None	June 30, 2008, JGZYZ No.0970032402
2009/06	10	9,300,000	93,000,000	8,578,932	85,789,319	Capital increase 11,643,084 by earnings	None	April 28, 2009, JGZYZ No.0980017596
2010/09	10	10,820,000	108,200,000	9,661,248	96,612,482	Capital increase 10,823,163 by earnings	None	July 01, 2010, JGZYZ No.0990034120
2011/08	10	12,230,000	122,300,000	10,689,097	106,890,967	Capital increase 10,278,485 by earnings	None	June 20, 2011, JGZYZ No.1000028108
2012/09	10	12,230,000	122,230,000	11,835,867	118,358,665	Capital increase 11,467,698 by earnings	None	July 5, 2012 JGZYZ No. 1010029788
2013/10	10	18,000,000	180,000,000	13,128,707	131,287,068	Capital increase 12,928,403 by earnings	None	July 29, 2013 JGZYZ No. 1020029486
2014/10	10	18,000,000	180,000,000	14,793,407	147,934,069	Capital increase 16,647,001 by earnings	None	July 17, 2014 JGZYZ No. 1030027390
2015/06	10	18,000,000	180,000,000	15,148,407	151,484,069	Issuance 3,550,000 of new shares that restrict employees' rights	None	June 13, 2014 JGZYZ No. 1030022403

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

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

None.

**(4) Shareholder Structure**

04/24/2016

Shareholder Structure Quantity	Governments	Financial institutions	Juridical Person	Foreign institutions & individuals	Governments	Financial institutions
	Members	9	198	1,076	2,849	610,195
Total shares held	498,252,094	671,554,114	457,769,040	7,853,319,197	6,157,393,783	15,638,288,228
Shareholdings (%)	3.19%	4.29%	2.93%	50.22%	39.37%	100.00%



## (5) Distribution of Shares

### (a) Distribution of common shares

04/24/2016

Shares	Members	Total Shares held	Shareholdings (%)
1-999	136,281	39,899,861	0.26%
1,000 to 5,000	314,332	712,089,803	4.55%
5,001 to 10,000	80,581	567,472,463	3.63%
10,001 to 15,000	32,608	394,154,261	2.52%
15,001 to 20,000	14,593	252,726,686	1.62%
20,001 to 30,000	14,631	353,211,711	2.26%
30,001 to 40,000	6,383	219,557,437	1.40%
40,001 to 50,000	3,645	162,741,935	1.04%
50,001 to 100,000	6,313	432,236,856	2.76%
100,001 to 200,000	2,484	335,218,270	2.14%
200,001 to 400,000	984	270,877,204	1.73%
400,001 to 600,000	337	165,841,095	1.06%
600,001 to 800,000	184	127,611,937	0.82%
800,001 to 1,000,000	119	105,982,279	0.68%
Above 1,000,001	852	11,498,666,430	73.53%
Total	614,327	15,638,288,228	100.00%

### (b) Diversification of preferred stocks:

The Company doesn't issue preferred stocks.

### (6) List of major shareholders

04/24/2016

Name of Major Shareholders	Shares held	Shareholdings (%)
Terry Gou	1,973,952,862	12.62%
Citibank Hosting Government of Singapore Investment Account	351,004,222	2.25%
Chase Bank Hosting Central Bank of Saudi Arabia Investment Account	329,428,120	2.11%
Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depository Receipts Account	276,727,413	1.77%
Standard Chartered Bank Hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	213,463,108	1.37%
Citibank Hosting Norwegian Central Bank Investment Account	191,670,392	1.23%
JP Morgan Hosting STICHTING Depository APG Investment Account	187,961,791	1.20%
JP Morgan Chase Bank Hosting Abu Dhabi Investment Authority Investment Account	182,273,381	1.17%
Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity low-priced stocks Fund	165,887,400	1.06%
JP Morgan Chase Bank Hosting Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	142,459,786	0.91%

**(7) Information on Market Price, Equity, Earnings, Dividends Per Share & Relatives**

Item		Year	2014	2015	Current year to March 31, 2016
Market Price Per Share (Note 1)	Highest	Before adjustment	113.00	99.70	86.80
		After adjustment	99.29	91.33	
	Lowest	Before adjustment	78.90	77.90	72.70
		After adjustment	68.84	70.57	
Average			93.33	89.07	79.06
Equity Per Share	Before distribution		62.88	64.43	65.62
	After distribution		55.89	—	—
Earnings per share (Note 2)	Weighted average shares (1,000 shares)		15,531,392	15,586,159	15,637,994
	Earnings per share (NT\$)	Before adjustment	8.85	9.42	1.76
		After adjustment	8.40	—	—
Dividends per share (Note 3)	Cash dividend		3.8	4	—
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0.5	1	—
		Stock Dividends Appropriated from Capital Reserve	None	None	—
	Accumulated Unappropriated Dividends		None	None	—
Investment return analyses	P/E ratio		10.55	9.46	—
	Price-dividend ratio		24.56	22.27	—
	Cash dividend yield		4.07%	4.49%	—

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

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

Note 3: 2015 dividends have not yet been approved by the AGM.

**(8) Dividend Policy and Execution Status**

**(a) Dividend policy**

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

**(b) Distribution of stock dividends at this Shareholders' Meeting:**

- (i) Shareholder stock dividend: The Company allotted NT\$15,638,288,230 from the earning of 2015 to issue new shares through capitalization, with 100 shares to every 1,000 shares. After obtaining the approval of the regular shareholders' meeting and reporting to the competent authorities for approval, the Board of Directors shall formulate the base day for distribution.

- (ii) Shareholder cash dividend: The Company allotted NT\$62,553,152,912 from the earnings of 2015 as cash dividend, with NT\$4 for each share. After obtaining the approval of the regular shareholders' meeting, the Board of Directors shall formulate the base day for distribution.

**(9) The impact of the planned issuance of bonus shares on the Company's business performance and earnings per share:**

Item		Year	
		2016 (estimate)	
Amount of paid-in capital in opening period (NT\$)		156,382,882,280	
Dividend Distribution (Note 1)	Cash dividend per share (NT\$)	4	
	Stock dividends per share for capital increase by retained earnings (Shares)	0.1	
	Stock dividends per share for capital increase by capital reserve (Shares)	-	
Business Performance Variation	Operating profit	N/A (Note 2)	
	Change in operating profit compared with the previous year		
	After-tax net profit		
	Change in after-tax net profit compared with the previous year		
	Earnings per share		
	Change in earnings per share compared with the previous year		
	Average return on investment (Average annual EP ratio)		
Pro forma earnings per share and price/earnings ratio	If retained earnings for capital increase all converted to cash dividends	N/A (Note 2)	N/A (Note 2)
	If no capital increase by capital reserve	N/A (Note 2)	N/A (Note 2)
	If no capital increased by capital reserve but capital increase by earnings shifted to cash dividends	N/A (Note 2) Pro forma average ROI	N/A (Note 2)

Note 1: Pending resolution of the Annual Regular Shareholders' Meeting.

Note 2: Hon Hai is not required to disclose its 2016 financial forecast pursuant to "Regulations Governing the Publication of Financial Forecasts of Public Companies". Therefore, there is no estimate information for 2016.

**(10) Remuneration to employees, directors, and supervisors:**

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

- (1) Per the amendments to the Company Act in May 2015, articles regarding employee bonuses distribution from the earnings were deleted from the original Articles. New articles were added which indicate that a fixed amount or percentage of the earnings from the year shall be set aside as employee compensation. The Company is to amend the Articles of Incorporation accordingly during the 2016 regular shareholders' meeting.

The proposed Articles of Incorporation indicate that if the Company reports a surplus (Surplus refers to profit before tax deducts appropriated employee compensation), 5-7% of which shall be set aside as employee compensation.

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

- (1) On March 30, 2016, the Board of Directors approved the Company to set aside 6% of the profit as stock dividend for 2015 employees compensation.
- (2) The total number of employee stock dividend shall be calculated based on the closing price of the day before the BoD meeting date. Employee dividend of less than one share shall be distributed in cash.
- (3) Where there is discrepancy between the actually distributed and the estimated amount, it shall be treated in accordance with the estimated.

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

- (1) The cash dividend distributed to employee shall be NT\$0, and to directors NT\$0.
- (2) The employee stock dividend shall be NT\$10,598,195,389, which accounts for 6.7305% of the total of the after-tax net profit and the employee compensation of the individual or separate financial report for the current period.
- (3) In the case of any differences between the actual distributed and recognized number, please state the difference, reasons and response:

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

**(d) Actual distribution remuneration of employees, directors, and supervisors in the previous year:**

(1) Actual distribution:

Unit: NT\$

Employee dividends			Remuneration to Directors and Supervisors
Employee Stock Dividends: Amount	Employee Stock Dividends: Number of Shares	Employee Cash Dividends	
9,398,500,506	105,211,021	6	0

Note: NT\$89.33 per share is determined as the calculating basis by the closing price of the Company on June 24, 2015 and taking account of the influence of the ex-right and ex-dividend factors.

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

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

**(11) Share repurchases:**

None

## B. Section on Corporate Bonds

### (1) Corporate Bonds

Unit: NT\$Thousand

Corporate Bond Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2011			The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2011	The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2012
	Note A	Coupon B	Note C		
Issuing (handling) date	June 14, 2011	June 14, 2011	June 14, 2011	July 18, 2011	March 1, 2012
Denomination	1,000	1,000	1,000	1,000	1,000
Issuing and transaction location	GreTai Securities Market(OTC)			GreTai Securities Market (OTC)	GreTai Securities Market (OTC)
Issue price	Issue by denomination			Issue by denomination	Issue by denomination
Total amount	3,000,000	2,650,000	1,400,000	4,950,000	9,000,000
Interest rate	1.43%	1.66%	1.82%	1.51%	1.34%
Term	5 years Expiry date: June 14, 2016	7 years Expiry date: June 14, 2018	10 years Expiry date: June 14, 2021	5 years Expiry date: July 18, 2016	5 years Expiry date: March 1, 2017
Guarantee Agency	None			None	None
Consignee	Bank SinoPac Company Limited			Bank SinoPac Company Limited	Bank SinoPac Company Limited
Underwriting institution	None			None	None
Certified lawyer	None			None	None
CPA	None			None	None
Repayment method	Repayment in lump sum upon maturity			Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	3,000,000	2,650,000	1,400,000	4,950,000	9,000,000
Terms of redemption or advance repayment	None			None	None
Restrictive clause	None			None	None
Name of credit rating agency Rating date Rating of corporate bonds	Rating agency: China Credit Rating Co., Ltd. Rating date: May 19, 2011 Rating result: twAA+			Rating agency: China Credit Rating Co., Ltd. Rating date: June 23, 2011 Rating result: twAA+	Rating agency: China Credit Rating Co., Ltd. Rating date: December 16, 2011 Rating result: twAA+
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted			N/A	N/A
	Issuance and conversion (exchange or subscription) method			None	None
	Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity			None	None
Transfer Agent	None			None	None

Unit: NT\$Thousand

Corporate Bond Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2012	The 4 <sup>th</sup> Tranche of Unsecured Corporate Bonds, 2012	The 1 <sup>st</sup> Tranche of Unsecured Corporate Bonds, 2013	
			Note A	Note B
Issuing (handling) date	May 23, 2012	October 11, 2012	Jan. 30, 2013	Jan. 30, 2013
Denomination	1,000	1,000	1,000	1,000
Issuing and transaction location	GreTai Securities Market(OTC)	GreTai Securities Market(OTC)	GreTai Securities Market(OTC)	
Issue price	Issue by denomination	Issue by denomination	Issue by denomination	
Total amount	6,000,000	3,300,000	7,450,000	3,600,000
Interest rate	1.43%	1.35%	1.33%	1.45%
Term	5 years Expiry date:05/23/2017	5 years Expiry date:10/11/2017	5 years Expiry date: 01/30/2018	7 years Expiry date:01/30/2020
Guarantee Agency	None	None	None	
Consignee	Bank SinoPac Company Limited	Bank SinoPac Company Limited	Bank SinoPac Company Limited	
Underwriting institution	None	None	None	
Certified lawyer	None	None	None	
CPA	None	None	None	
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	
Outstanding principal	6,000,000	3,300,000	7,450,000	3,600,000
Terms of redemption or advance repayment	None	None	None	
Restrictive clause	None	None	None	
Name of credit rating agency: Rating date: Rating of corporate bonds:	Rating agency: China Credit Rating Co., Ltd. Rating date: April 24, 2012 Rating result: twAA+	Rating agency: China Credit Rating Co., Ltd. Rating date: September 12, 2012 Rating result: twAA+	Rating agency: China Credit Rating Co., Ltd. Rating date: December 20, 2012 Rating result: twAA+	
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A	N/A	N/A
	Issuance and conversion (exchange or subscription) method	None	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None	None	
Transfer Agent	None	None	None	

Unit: NT\$Thousand

Corporate Bond Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2013	The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2013		
		Note A	Note B	Note C
Issuing (handling) date	102.10.18	Dec. 17, 2013	Dec. 17, 2013	Dec. 17, 2013
Denomination	1,000	1,000		
Issuing and transaction location	GreTai Securities Market (OTC)	GreTai Securities Market(OTC)		
Issue price	Issue by denomination	Issue by denomination		
Total amount	6,950,000	3,000,000	800,000	2,200,000
Interest rate	1.45%	1.35%	1.50%	1.85%
Term	3 years Expiry date:10/18/2016	3 years Expiry date:12/17/2016	5 years Expiry date:12/17/2018	7 years Expiry date:12/17/2020
Guarantee Agency	None	None		
Consignee	Bank SinoPac Company Limited	Bank SinoPac Company Limited		
Underwriting institution	None	None		
Certified lawyer	None	None		
CPA	None	None		
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity		
Outstanding principal	6,950,000	3,000,000	800,000	2,200,000
Terms of redemption or advance repayment	None	None		
Restrictive clause	None	None		
Name of credit rating agency: Rating date: Rating of corporate bonds:	Rating agency: China Credit Rating Co., Ltd. Rating date: April 16, 2013 Rating result: twAA+	None		
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A	N/A	
	Issuance and conversion (exchange or subscription) method	None	None	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None		
Transfer Agent	None	None		



Unit: NT\$Thousand

Corporate Bond Type		The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014			
		Note A	Note B	Note C	Note D
Issuing (handling) date		March 18, 2014	March 18, 2014	March 18, 2014	March 18, 2014
Denomination		1,000			
Issuing and transaction location		GreTai Securities Market(OTC)			
Issue price		Issue by denomination			
Total amount		2,050,000	1,100,000	350,000	2,500,000
Interest rate		1.23%	1.40%	1.75%	2.0%
Term		3 years Expiry date:03/18/2017	5 years Expiry date:03/18/2019	7 years Expiry date:03/18/2021	10 years Expiry date:03/18/2024
Guarantee Agency		None			
Consignee		Bank SinoPac Company Limited			
Underwriting institution		None			
Certified lawyer		None			
CPA		None			
Repayment method		Repayment in lump sum upon maturity			
Outstanding principal		2,050,000	1,100,000	350,000	2,500,000
Terms of redemption or advance repayment		None			
Restrictive clause		None			
Name of credit rating agency: Rating date: Rating of corporate bonds:		None			
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A			
	Issuance and conversion (exchange or subscription) method	None			
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None			
Transfer Agent		None			

Unit: NT\$Thousand

Corporate Bond Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014				The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014	
	Note A	Note B	Note C	Note D	Note A	Note B
Issuing (handling) date	May 21, 2014	May 21, 2014	May 21, 2014	May 21, 2014	July 8, 2014	July 8, 2014
Denomination	1,000				1,000	
Issuing and transaction location	GreTai Securities Market(OTC)				GreTai Securities Market(OTC)	
Issue price	Issue by denomination				Issue by denomination	
Total amount	2,850,000	1,600,000	3,350,000	4,200,000	6,000,000	6,000,000
Interest rate	1.17%	1.37%	1.70%	1.95%	1.70%	1.95%
Term	3 years Expiry date: May 21, 2017	5 years Expiry date: May 21, 2019	7 years Expiry date: May 21, 2021	10 years Expiry date: May 21, 2024	7 years Expiry date: July 8, 2021	10 years Expiry date: July 8, 2021
Guarantee Agency	None				None	
Consignee	Bank SinoPac Company Limited				Bank SinoPac Company Limited	
Underwriting institution	None				None	
Certified lawyer	None				None	
CPA	None				None	
Repayment method	Repayment in lump sum upon maturity				Repayment in lump sum upon maturity	
Outstanding principal	2,850,000	1,600,000	3,350,000	4,200,000	6,000,000	6,000,000
Terms of redemption or advance repayment	None				None	
Restrictive clause	None				None	
Name of credit rating agency: Rating date: Rating of corporate bonds:	None				None	
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted		N/A		N/A	
	Issuance and conversion (exchange or subscription) method		None		None	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None				None	
Transfer Agent	None				None	

Unit: NT\$Thousand

Corporate Bond Type	The 4 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014				
	Note A	Note B	Note C	Note D	Note E
Issuing (handling) date	October 8, 2014	October 8, 2014	October 8, 2014	October 8, 2014	October 8, 2014
Denomination	1,000				
Issuing and transaction location	GreTai Securities Market(OTC)				
Issue price	Issue by denomination				
Total amount	2,200,000	1,400,000	3,200,000	2,200,000	200,000
Interest rate	1.25%	1.45%	1.80%	2.02%	2.15%
Term	3 years and 6 months Expiry date: 04/8/2018	5 years Expiry date: 10/8/2019	7 years Expiry date: 10/8/2021	10 years Expiry date: 10/8/2024	12 years Expiry date: 10/8/2026
Guarantee Agency	None				
Consignee	Bank SinoPac Company Limited				
Underwriting institution	None				
Certified lawyer	None				
CPA	None				
Repayment method	Repayment in lump sum upon maturity				
Outstanding principal	2,200,00	1,400,000	3,200,000	2,200,000	200,000
Terms of redemption or advance repayment	None				
Restrictive clause	None				
Name of credit rating agency: Rating date: Rating of corporate bonds:	None				
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A			
	Issuance and conversion (exchange or subscription) method	None			
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None				
Transfer Agent	None				

Unit: NT\$Thousand

Corporate Bond Type	The 5 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014		
	Note A	Note B	Note C
Issuing (handling) date	January 14, 215	January 14, 215	January 14, 215
Denomination	1,000		
Issuing and transaction location	GreTai Securities Market(OTC)		
Issue price	Issue by denomination		
Total amount	2,750,000	1,600,000	2,800,000
Interest rate	1.23%	1.45%	1.80%
Term	3 years Expiry date:01/14/2018	5 years Expiry date:01/14/2020	7 years Expiry date:01/14/2022
Guarantee Agency	None		
Consignee	Bank SinoPac Company Limited		
Underwriting institution	None		
Certified lawyer	None		
CPA	None		
Repayment method	Repayment in lump sum upon maturity		
Outstanding principal	2,750,000	1,600,000	2,800,000
Terms of redemption or advance repayment	None		
Restrictive clause	None		
Name of credit rating agency: Rating date: Rating of corporate bonds:	None		
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A	
	Issuance and conversion (exchange or subscription) method	None	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None		
Transfer Agent	None		

Unit: NT\$Thousand

Corporate Bond Type	The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015				
	Note A	Note B	Note C	Note D	Note E
Issuing (handling) date	April 14, 2015	April 14, 2015	April 14, 2015	April 14, 2015	April 14, 2015
Denomination	1,000				
Issuing and transaction location	GreTai Securities Market(OTC)				
Issue price	Issue by denomination				
Total amount	100,000	4,150,000	100,000	2,300,000	1,000,000
Interest rate	1.10%	1.23%	1.34%	1.44%	1.75%
Term	2 years Expiry date: 04/14/2017	3 years Expiry date: 04/14/2018	4 years Expiry date: 04/14/2019	5 years Expiry date: 04/14/2010	7 years Expiry date: 04/14/2022
Guarantee Agency	None				
Consignee	Bank SinoPac Company Limited				
Underwriting institution	None				
Certified lawyer	None				
CPA	None				
Repayment method	Repayment in lump sum upon maturity				
Outstanding principal	100,000	4,150,000	100,000	2,300,000	1,000,000
Terms of redemption or advance repayment	None				
Restrictive clause	None				
Name of credit rating agency: Rating date: Rating of corporate bonds:	None				
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A			
	Issuance and conversion (exchange or subscription) method	None			
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None				
Transfer Agent	None				

Unit: NT\$ Thousand

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

Unit: NT\$Thousand

Corporate Bond Type		The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015							
		Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H
Issuing (handling) date		September 29, 2015	September 29, 2015	September 29, 2015	September 29, 2015	September 29, 2015	September 29, 2015	September 29, 2015	September 29, 2015
Denomination		1,000,000							
Issuing and transaction location		GreTai Securities Market(OTC)							
Issue price		Issue by denomination							
Total amount		1,400,000	1,800,000	1,100,000	2,800,000	200,000	400,000	1,000,000	300,000
Interest rate		0.95%	1.05%	1.15%	1.25%	1.27%	1.33%	1.45%	2.00%
Term		2 years Expiry date: September 29, 2017	3 years Expiry date: September 29, 2018	4 years Expiry date: September 29, 2019	5 years Expiry date: September 29, 2020	5.5 years Expiry date: March 29, 2021	6 years Expiry date: September 29, 2021	7 years Expiry date: September 29, 2022	12 years Expiry date: September 29, 2027
Guarantee Agency		None							
Consignee		Bank SinoPac Company Limited							
Underwriting institution		None							
Certified lawyer		None							
CPA		None							
Repayment method		Repayment in lump sum upon maturity							
Outstanding principal		1,400,000	1,800,000	1,100,000	2,800,000	200,000	400,000	1,000,000	300,000
Terms about redemption or advance repayment		None							
Restrictive clause		None							
Name of credit rating agency: Rating date: Rating of corporate bonds:		None							
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A							
	Issuance and conversion (exchange or subscription) method	None							
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None							
Transfer Agent		None							

Unit: NT\$Thousand

Corporate Bond Type	The 4 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015							
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H
Issuing (handling) date	November 30, 2015	November 30, 2015	November 30, 2015	November 30, 2015	November 30, 2015	November 30, 2015	November 30, 2015	November 30, 2015
Denomination	1,000,000							
Issuing and transaction location	GreTai Securities Market(OTC)							
Issue price	Issue by denomination							
Total amount	1,100,000	1,500,000	700,000	3,900,000	100,000	1,400,000	100,000	200,000
Interest rate	0.92%	1.00%	1.09%	1.20%	1.28%	1.40%	1.75%	1.95%
Term	2 years Expiry date: November 30, 2017	3 years Expiry date: November 30, 2018	4 years Expiry date: November 30, 2019	5 years Expiry date: November 30, 2020	6 years Expiry date: November 30, 2021	7 years Expiry date: November 30, 2022	10 years Expiry date: November 30, 2025	12 years Expiry date: November 30, 2027
Guarantee Agency	None							
Consignee	Bank SinoPac Company Limited							
Underwriting institution	None							
Certified lawyer	None							
CPA	None							
Repayment method	Repayment in lump sum upon maturity							
Outstanding principal	1,100,000	1,500,000	700,000	3,900,000	100,000	1,400,000	100,000	200,000
Terms about redemption or advance repayment	None							
Restrictive clause	None							
Name of credit rating agency: Rating date: Rating of corporate bonds:	None							
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A						
	Issuance and conversion (exchange or subscription) method	None						
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None							
Transfer Agent	None							



**(2) Convertible Bonds:**

None.

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

None.

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

None.

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

None.

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

None.

## D. Global Depository Receipts (GDR):

As of April 30, 2016, the global depository receipts issued by the Company totalled 319,911,530 units. (Stock dividends issued increased 234,249,419 units from 2000 to 2015. In addition, ECB issued 26,296,111 units of GDR in total.)

04/30/2016

Item \ Issue date	October 7, 1999	March 17, 2005	
Issuing and transaction location:	Issuing location: Europe, Asia, USA Transaction location: London Stock Exchange	Issuing location: Europe, Asia, USA Transaction location: London Stock Exchange	
Total amount:	USD 416,700,000	USD 257,178,618.20	
Unit issue price:	USD 13.89	USD 8.7577	
Total of issued unit	(1) 25,000,000 units (2) 5,000,000 units 30,000,000 units in total	29,366,000 units	
Source of securities represented	(1) Issuance of new shares for cash increase (2) The Company's common shares held by the original shareholders	The Company's common shares held by the original shareholders	
Amount of securities represented	60,000,000 common shares	58,732,000 common shares	
GDR holders' rights and obligations	1. Right to vote 2. Right to distribute dividend, subscribe new shares and other rights	1. Right to vote 2. Right to distribute dividend, subscribe new shares and other rights	
Consignee	None	None	
Depository Bank	Citibank N. A	Citibank N. A	
Custodian Bank	Citibank N. A, Taipei Branch	Citibank N. A, Taipei Branch	
Outstanding balance	138,363,703 Units (Securities represented 276,727,413 shares)		
Method to share the expenses incurred during the issuance and duration	Issue cost: amortized by the issuing companies and shareholder participants according to the actual shares issued Expenses incurred in the duration: amortized by the issuing company		
Important conventions about depository and escrow agreement	The depository institute performs the obligations for GDR holders, while the guarantee agency keeps GDR common shares represented.		
Market price per unit (unit: USD)	2 0 1 5	Highest	6.279
		Lowest	4.652
		Average	5.455
	Current year to date 04/30/2015	Highest	5.35
		Lowest	4.44
		Average	4.874

**E. Subscription of warrants for employees:**

None.

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

None

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

None

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

None

**I. issuance of new shares due to acquisition of shares of another company:**

None

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

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

None

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

N/A

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

None

**J. Implementation of fund usage plan:**

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

## **V. Operational Highlights**

### **A. Business Activities**

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

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

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

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

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

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

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

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

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

As for the R&D of new products, the Company will focus on connectors such as compound, modular, high frequency, photo-electricity and surface-mounted connectors. Besides, it will follow the trend and make its computers and accessories lighter, thinner, shorter, smaller, more surface-mounted and modularized as well as integrated with communications.

**(2) Technology and R&D**

**(a) Current product items**

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

**(b) New commodities to be developed**

As for the R&D of new products, the Company will focus on connectors such as compound, modular, high frequency, photo-electricity and surface-mounted connectors. Besides, it will follow the trend and make its computers and accessories lighter, thinner, shorter, smaller, more surface-mounted and modularized as well as integrated with communications.

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

Unit: NT\$Thousand		
Year	2015	Jan-Mar., 2016
R&D Expenses	52,491,689	10,108,048
R&D Expenses to Revenue %	1.17%	1.06%

## B. Production and Sales Status

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

#### (a) Key Suppliers

Unit: NT\$million

Item	2014				2015				As of end of Q1, 2016			
	From	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	From	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	From	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	Vendor L	1,027,263	30%	Nil	Vendor L	1,277,492	34%	Nil	Vendor L	280,383	38%	Nil
	Others	2,454,702	70%		Other	2,442,979	66%		Others	461,828	62%	-
	Total Net Purchases	3,481,965	100.00%		Total Net Purchases	3,720,471	100%		Total Net Purchases	742,211	100%	-

Note: Changes were due to market trend dynamics and customer demand variation.

**(b) Key Buyers**

Unit: NT\$million

Item	2014				2015				As of end of Q1, 2016			
	From	Amount	Percentage of total Net Sales (%)	Relationship with the issuer	From	Amount	Percentage of total Net Sales (%)	Relationship with the issuer	From	Amount	Percentage of total Net Sales (%)	Relationship with the issuer
1	Customer E	2,119,957	50.32%	Nil	Customer E	2,405,381	53.67%	Nil	Customer E	525,082	54.81%	Nil
2	Customer C	378,000	8.97%	Nil	Customer C	340,234	7.59%	Nil	Customer C	84,960	8.87%	Nil
	Others	1,715,215	40.71%	-	Others	1,736,531	38.74%	-	Others	347,967	36.32%	-
	Total Net Sales	4,213,172	100.00%	-	Total Net Sales	4,482,146	100%	-	Total Net Sales	958,009	100.00%	-

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

Unit: 1,000 pcs, NT\$Thousand

Major Product	2014			2015		
	Capacity	Quantity	Value	Capacity	Quantity	Value
3C Electronics	9,122,310	8,048,614	3,308,048,495	14,259,275	12,580,959	3,564,872,099

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

Unit: 1,000 pcs, NT\$Thousand

Quantity & Value Major Product	2014				2015			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
3C Electronics	24,307	11,324,702	7,341,431	3,305,474,777	31,414	9,643,583	11,603,320	3,562,053,782
Service and Management Fee Incomes	—	—	—	86,834,885	—	—	—	65,964,864

**(4) Taiwan Employee Data during the Past Two Years and Up to Apr. 30, 2016**

Year		2014	2015	Up to Apr. 30, 2016
Employee Number	Staff	160,622	154,984	153,375
	Operator	740,136	675,190	540,414
	Total	900,758	830,174	693,789
Average Age		26.25	27.36	33.60
Average Seniority		2.34	2.82	3.99
Education Distribution %	PhD Degree	0.02%	0.03%	0.03%
	Master Degree	0.77%	0.83%	0.77%
	College	14.12%	15.56%	14.12%
	High School	44.76%	43.23%	44.76%
	Below High School	40.33%	40.35%	40.32%



### **C. Information on Environmental Protection Costs**

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

None

**(2)**

(a) The main workshops and production facilities of the Company are located in Tucheng Industrial Park or Hsinchu Science Park. The Company takes environmental protection as its priority, and carries out immediate correction once discovering any problem. It also makes inspection on the existing preventive facilities. Apart from creating a good working and living environment for its employees and the neighborhood, it strictly complies with the discharge standard. For the pollution and wastes generated in the production process, the Company takes the following steps to protect the environment:

- (1) Prevention of water pollution: set up wastewater treatment plants and water quality analysis laboratory in Tucheng factory. Chemical method is applied in wastewater treatment, in which pollutants are removed from wastewater and discharged through discharge outlets. The lab has various instruments to measure temperature, PH value, chemical oxygen demand and suspended solid and analyze heavy metal, so that daily inspection on discharging water can be made and water discharge can be well controlled. The Company's factories in Huyue, Minsheng and Hsinchu all received a letter on permit to connect wastewater (or sewage) to the sewer system, under the reference of TFZ No. 1015060021, 0955060439 and YLZ No.0960021733 respectively.
- (2) Prevention of stationary pollution source: waste gas is collected by extraction pipes, and released to the air after the pollutants are removed through the wet scrubber. Every year, the external testing organization is commissioned to detect the viscosity of pollutants in exhaust gas and reports the result to the competent authorities of environmental protection. The Company obtained the Operating Permit of Stationary Pollution Source in 1998 and extended it in June 2008. The permit No. is: BXCZD No. F0447-02. Currently, the total consumption of acid and alkali does not meet the control standards, and the Permit was returned to the authority per Letter No. 1012095840 from the Environmental Protection Bureau.
- (3) Cleaning of wastes: Works are done in accordance with the Waste Cleaning Plan, and the disposal of waste is reported online in a legal way, and wastes are legally cleaned and recycled.
- (4) Management on toxic chemicals: Toxic chemicals are stored separately and strictly controlled. Moreover, documents on use and inspection are obtained legally, and periodically reported to the component department of environmental protection.

(b) The Company has been adhering to the environmental policy of “pollution control and prevention, continuous waste reduction, providing environment-friendly products, protecting the earth, creating a green enterprise,” and strictly abiding by laws and regulations on environmental protection and clients’ requirements by means of effectively controlling raw materials, manufacturing process and delivery. Besides, it is dedicated to continuous improvement in order to better product quality, make sure the products free from restricted materials and promote the transformation of upstream suppliers to green supplying chain so as to comply with ROHS requirements.

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

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

Unit: NT\$1,000

	2017	2018
Expense or equipment to be purchased for pollution control	None	None
Predicted improvement	None	None
Amount paid	None	None

(2) Influence after improvement

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

## D. Labor Relations

Current important labor agreement and implementation:

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

(1) Welfare measures for employees:

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

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

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

- (a) The food allowance;
- (b) Birthday gift (cash or other present);
- (c) Lucky draw during get-togethers;
- (d) Support employees community activities, recreation and entertainment (such as provide employee gym and massage services);
- (e) Health promotion activities (such as lectures, yoga courses, weight loss programs);
- (f) Health and medical consultation;
- (g) Employee birth allowance, child allowance, and provide traffic subsidy, nutrition subsidy, and healthcare for pregnant employees;
- (h) Employee wedding gift and funeral condolence payments;
- (i) Build staff dormitory and provide related accomodation services;
- (j) Training allowance;
- (k) Group insurance.

## (2) Career Development and Training for Employees

Education and training is one of the basic employee walfares provided by the Company. The Company encourages employees to “take on-the-job-training, and apply what they’ve learned to work”. The Company takes training as a means to improve employee quality and their work skills, promote the group performance, facilitate the realization of its operation target of “long term, stability, development, science and technology, internationality”. The Company formulated the Method on Employee Trainings. Based on this, the Company provided 712,762 hours of trainings with the training fees reaching up to NT\$4,573,630 in 2015. The main content of training includes:

### (a) Orientation for new employees

New employees are guided to familiarize the corporate culture, organization development, reformation history and working environment.

(b) Technology and Development Committee

With the horizontal integration of the Technology and Development Committee, employees can join different committees according to their job characteristics and professional fields. The Technology and Development Committee has introduced the latest knowledge and technology in various fields to promote technical exchange among employees and set out a complete training structure for professional technicians.

(c) Development of management skills

The Company has worked out its own training program to develop management skills at different management level according to their management needs. The training programs are diversified and colorful.

(d) School of advanced manufacturing and productivity

With the launch of the IE School and the industrial transformation of the company group, the Company takes advantage of the training management system and on-line study platform to make the training programs process-oriented, simplified, standardized, systematized, information-based and networked.

(e) Lectures on general knowledge

Mainly include the courses on usage of Internet Explorer, safety and health, moral education, etc.

(f) Lectures given by celebrities

The Company invites famous and successful people in various fields to give lectures to employees in the Company.

(g) Library

The Company has a professional library where there are abundant journals and books as well as well-equipped reading rooms and audiovisual apparatus.

(3) Code of conduct or ethics

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

(a) Rules on decision-making right and right decentralization: to improve work efficiency, strengthen the management on right decentralization and effectively standardize the rights of employees at different levels.

(b) Organizational structure and duties of each department: definitely regulate the organizational functions of each unit and the duties of each post.

- (c) The Employee Handbook is prepared to help employees understand the relevant measures and regulations.
- (1) Tutoring programs for new employees: to eliminate the new employees' insecurity towards the new environment and soon familiarize the working environment and colleagues after reporting for duty, and help them to get their mind and body ready for work and reduce the turnover rate within a short period.
  - (2) Code of business ethics: to improve all employees' behavioral quality, business ethics and expertise and try to maximize the Company's benefit within the legal scope. Every employee has the responsibility to prevent the Company's interests from being lost or impaired and is obliged to maintain the Company's reputation so as to guarantee its permanent growth and development.
  - (3) Employee attendance: strengthen the attendance system to establish a good working discipline for employees.
  - (4) Reward and punishment system: Rewards or punishment are given to employees whose behavior or conduct has brought benefit or loss for the Company in operation.
  - (5) Leave-related measures for employees: to provide basis for employees to take and ask for a leave.
  - (6) Performance assessment method for employees: employees' working achievements and performance are assessed annually as the basis for salary adjustment, promotion, issuance of bonus and arrangement for training courses.

(4) Working environment and protective measures for employees' personal safety

- (a) The Company continued to maintain the occupational safety and health management system, passed the certification of SGS Company and obtained the OHSAS18001 and CNS15506 certificates in 2015.
- (b) The Company has formulated the safety and health policy and promised to achieve the goal of zero injury, zero occupational disease and zero accident so as to create a best working environment for all employees.
- (c) The Company was awarded "Outstanding institutions Award" & "Professionalism and safety & health personnel Outstanding Award" of the New Taipei City in May 2015.
- (d) Employees' personal safety: The Company has, according to the Implementation Rules for Public Institutions on Records of Labor-hour without Occupational Injury, taken part in the competition of non-occupational injury record during labor-hour and hit the record of 3.36 million labor-hours without occupational injury.

- (e) Industrial safety: A Safety and Disaster Prevention Center is set up at the Tucheng headquarters. Each plant can exchange safety messages instantly, provide immediate safety and disaster prevention information, and can focus on emergency response personnel training, thus strengthening the Hon Hai Group's safety and disaster prevention system. Infrared thermal imaging inspections of all electrical boards and other equipment in all factories is performed, as well as the establishment of infrared thermal imaging personnel training. A total of 17 seed personnel completed 180 copies of the inspection reports, effectively reducing the factorywide fire risk.
- (f) Occupational health: Based on the annual safety and health management plan, the Company checked the physical and chemical hazardous factors of each department, worked out the working environment inspection plan inclusive of sampling strategies, monitoring that results are in line with the standards set by the laws. Human factor engineering evaluation were performed, evolving and improving office (computer operating) human factors assessment forms, planning laboratory and procedure human factors assessment forms in all factories in Taiwan to improve employee working conditions.
- (g) Education trainings: In accordance with the annual training plan, 46 training programs were provided to a total of 1,627 new employees regarding health and safety; 463 contractors who handle hazardous materials were trained; and a total of 1,500 people finished emergency response training and evacuation drills.
- (h) In 2015, the Company performed a plant safety and health month in Taiwan, which include: checkpoints, industrial safety, broad vision and healthy games. A total number of 9,797 employees took part in the activities. These activities help employees increase their awareness on fire and industrial safety.

(5) Retirement System:

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

- (a) Qualification for Labor Standards Act (old system): defined benefit pension plan is adopted
  - (1) Retirement application: a worker may apply for voluntary retirement under any of the following conditions: where the worker attains the age of fifty-five and has worked for fifteen years; where the worker has worked for more than twenty-five years; where the worker attains the age of sixty and has worked for ten years.
  - (2) Pension payment: the retirement pension base shall be one month's average wage of the worker at the time when his or her retirement is approved. Two bases are given for each full year of service. Those having served over 15 years are given one base for each full year of service and the total number of bases shall be no more than 45. Length of services is calculated as half year when it is less than six months and as one year

when it is more than six months. As set forth in Article 54 of the Labor Standards Act, an additional 20% on top of the amount calculated according to te preceding shall be given to workers forced to retire due to conditions incurred from the execution of their duties.

(3) The supervision of pension funds: Since January 1987, the Company legally established the Supervisory Committee of Workers' Retirement Fund, which is re-elected every three years and in charge of checking the amount, deposit and withdrawal as well as payment of retirement fund so as to ensure employees' rights.

(b) Qualification for the Labor Pension Act (new system): defined contribution pension plan is adopted.

(1) The Company grants 6% per month: according to the Monthly Appropriation Scale of the Labor Pension issued by the Bureau of Labor, the Company appropriate 6% of the worker's monthly wage to his/her personal pension fund account.

(2) Employee contribution: workers may also voluntarily contribute within 6% of their wage to the labor pension.

(6) Other important agreements:

None.

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

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

## VI. Financial Standing

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

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

#### Concise Balance Sheet

Unit: NT\$Thousand

Item	Period	2011					As of March 31,
		2011	2012	2013	2014	2015	2016
Current assets			1,536,206,108	1,808,581,488	1,932,421,355	1,788,218,973	1,588,990,994
Net property, plant and equipment			405,155,076	379,561,941	358,868,558	336,738,466	326,574,458
Intangible assets			3,954,469	12,815,278	4,440,091	3,253,837	3,090,445
Other assets			104,922,452	65,219,497	166,984,745	180,088,601	210,094,747
Total assets			2,050,238,105	2,312,461,203	2,462,714,749	2,308,299,877	2,128,750,644
Current liabilities	Before Distribution		1,252,367,888	1,358,960,771	1,302,601,797	1,056,122,201	870,697,655
	After Distribution		1,270,121,688	1,382,592,443	1,358,816,743	Note 1	Note 1
Non-current liabilities			116,956,467	147,575,830	175,436,150	191,786,597	178,822,500
Total liability	Before Distribution		1,369,324,355	1,506,536,601	1,478,037,947	1,247,908,798	1,049,520,155
	After Distribution	N/A	1,387,078,155	1,530,168,273	1,534,252,893	Note 1	Note 1
Equity attributable to owners of parent			644,849,260	764,670,066	930,231,233	1,007,629,838	1,026,255,859
Share capital			118,358,665	131,287,068	147,934,068	156,382,881	156,382,881
Capital surplus			58,932,078	64,792,873	71,659,908	81,736,538	83,005,622
Retained earnings	Before Distribution		459,771,861	536,880,165	627,058,978	709,407,639	736,984,397
	After Distribution		430,182,195	497,494,045	563,447,329	Note 1	Note 1
Other equity interest			7,805,557	31,728,861	83,597,180	60,121,681	49,901,860
Treasury shares			(18,901)	(18,901)	(18,901)	(18,901)	(18,901)
Non-controlling interests			36,064,490	41,254,536	54,445,569	52,761,241	52,974,630
Total equity	Before Distribution		680,914,750	805,924,602	984,676,802	1,060,391,079	1,079,230,489
	After Distribution		663,159,950	782,292,930	928,461,856	Note 1	Note 1

Note 1: As of April 30, 2016, the amount of after distribution has not presented due to the proposal of earnings distribution of year 2015 had not yet been submitted to the shareholders' meeting.



## Concise Statement of Comprehensive Income

Unit: NT\$Thousand

Item \ Period	2011	2012	2013	2014	2015	As of March 31, 2016
Operating revenue		3,905,395,322	3,952,317,540	4,213,172,321	4,482,145,967	958,009,217
Gross profit (loss) from operations		250,249,268	254,694,501	291,943,856	320,591,969	67,576,473
Net operating income (loss)		107,898,270	109,314,396	143,191,411	164,268,571	32,324,664
Non-operating income and expenses		10,273,815	26,981,301	30,928,961	34,769,744	981,284
Profit (loss) from continuing operations before tax		118,172,085	136,295,697	174,120,372	199,038,315	36,305,948
Profit (loss) from continuing operations		91,666,736	107,345,876	132,481,822	150,201,416	27,548,860
Loss from discontinuing operations		-	-	-	-	-
Net Profit (loss)		91,666,736	107,345,876	132,481,822	150,201,416	27,548,860
Other comprehensive income, net	N/A	(17,912,758)	24,534,711	55,569,496	(29,072,832)	(10,339,212)
Total comprehensive income		73,753,978	131,880,587	188,051,318	121,128,584	17,209,648
Profit (loss), attributable to owners of parent		94,641,972	106,697,157	130,534,729	146,866,977	27,576,758
Profit (loss), attributable to non-controlling interests		(2,975,236)	648,719	1,947,093	3,334,439	(27,898)
Comprehensive income, attributable to owners of parent		76,791,442	130,621,274	182,370,027	123,263,182	17,356,937
Comprehensive income, attributable to non-controlling interests		(3,037,464)	1,259,313	5,681,291	(2,134,598)	(147,289)
Basic earnings per share		6.06	7.26	8.85	9.42	1.76

Note: EPSs are retroactively adjusted based on the number of shares as of Mar. 31, 2016.

**(2) Concise Balance Sheet and Income Statement – R.O.C. GAAP****Concise Balance Sheet – R.O.C. GAAP**

Unit: NT\$Thousand

Item	Period	Most Recent 5-Year Financial Information				
		2011	2012	2013	2014	2015
Current assets		1,283,667,822	1,542,957,442			
Fund and Long-term equity investments		49,122,496	63,432,100			
Fixed assets (Note 1)		355,373,481	390,298,219			
Intangible assets		695,266	3,954,469			
Other assets		41,452,360	43,761,287			
Total assets		1,730,311,425	2,044,403,517			
Current liabilities	Before Dist.	991,716,043	1,250,024,307			
	After Dist.	1,007,749,688	1,267,778,107			
Long-term liabilities		115,978,877	105,688,418			
Other liabilities		7,597,021	6,959,639			
Total liabilities	Before Dist.	1,115,291,941	1,362,672,364			
	After Dist.	1,131,325,586	1,380,426,164			
Common stock		106,890,967	118,358,665	N/A	N/A	N/A
Capital surplus		70,693,639	77,266,078			
Retained earnings	Before Dist.	377,321,804	445,361,440			
	After Dist.	350,599,063	415,771,774			
Unrealized gain (loss) of financial instruments		1,802,723	4,169,293			
Translation adjustments and other equity adjustment		21,141,456	1,395,612			
Unrecognized pension cost		-	-			
Stockholders' Equity	Before Dist.	615,019,484	681,731,153			
	After Dist.	598,985,839	663,977,353			

Note 1: The above years do not include asset revaluation.

Note 2: The most recent five years of financial information have been confirmed by the CPA.

## Concise Income Statement – R.O.C. GAAP

Unit: NT\$Thousand

Period Item	Most Recent 5-Year Financial Information (Note 2)				
	2011	2012	2013	2014	2015
Operating revenue	3,452,681,273	3,905,395,322			
Gross profit	266,382,484	329,629,037			
Operating income	82,845,028	108,450,481			
Non-operating income	27,442,124	23,932,586			
Non-operating expense	(7,750,952)	(14,003,976)			
Income from continuing operations before income taxes	102,536,200	118,379,091			
Net income for continuing operations	81,934,633	91,787,141	N/A	N/A	N/A
Income from discontinued operations	-	-			
Extraordinary gain (loss)	-	-			
Translation adjustments and other equity adjustment	-	-			
Net income	81,934,633	91,787,141			
Basic earnings per share (NT\$) (Note 1)	6.27	7.28			

Note 1: EPSs are retroactively adjusted based on the number of shares as of Dec. 31, 2013.

Note 2: The most recent five years of financial information have been confirmed by the CPA.

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

Year	Name of CPA	Auditor's Opinion	Reason for Changing CPA
2011	Yong-jian Hsu, Ming-ling Xue	Modified unqualified opinion	Internal administrative organizational changes
2012	Yong-jian Hsu, Ming-ling Xue	Modified unqualified opinion	—
2013	Yong-jian Hsu, Ming-ling Xue	Modified unqualified opinion	—
2014	Han-chi Wu Ming-hui Chang	Modified unqualified opinion	Internal administrative organizational changes
2015	Han-chi Wu Ming-hui Chang	Modified unqualified opinion	—

## B. Most Recent 5-Year Financial Analysis

### (1) Financial Analysis

Item		Period	Most recent 5-Year Financial Information					Financial Information up to March 31, 2016
			2011	2012	2013	2014	2015	
Financial Ratio (%)	Total liabilities to total assets		66.79%	65.15%	60.02%	54.06%	49.3%	
	Long-term capital to PP&E		196.93%	247.15%	323.27%	371.85%	385.23%	
Ability to payoff debt (%)	Current ratio		122.66%	133.09%	148.35%	169.32%	182.5%	
	Quick ratio		94.12%	109.60%	118.45%	127.75%	135.67%	
	Interest protection		13.31	17.76	12.72	11.55	7.86	
Ability to operate	A/R turnover (times)		7.00	5.68	5.51	6.52	7.46	
	A/R turnover days		52	64	66	56	49	
	Inventory turnover (times)		9.57	10.57	10.89	9.86	8.12	
	Account payable turnover (times)		6.16	5.47	5.42	6.03	6.33	
	Days sales outstanding		38	35	34	37	45	
	Fixed assets turnover (times)		10.10	10.07	11.41	12.89	11.55	
	Total assets turnover (times)	N/A	2.06	1.81	1.76	1.88	1.73	
Earning ability	Return on assets (%)		5.24%	5.25%	6.02%	6.89%	1.42%	
	Return on equity (%)		14.15%	14.44%	14.80%	14.69%	2.58%	
	PBT to pay-in capital %		99.84%	103.82%	117.7%	127.28%	23.22%	
	Net margin (%)		2.35%	2.72%	3.14%	3.35%	2.88%	
	EPS (NT\$)		6.06	7.26	8.85	9.42	1.76	
Cash flow %	Cash flow ratio (%)		13.85%	12.71%	14.64%	22.94%	5.58%	
	Cash flow adequacy ratio (%)		68.44%	87.52%	90.37%	111.58%	148.74%	
	Cash reinvestment ratio (%)		15.89%	13.07%	11.62%	11.89%	3.08%	
Leverage	Operating leverage		5.41	4.69	4.08	3.79	3.79	
	Financial leverage		1.10	1.09	1.12	1.13	1.18	

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

During this period, the profit increased and the account receivable was collected in advance, so that the net cash flow from operating activities increased, which led to the significant increase of the cash flow ratio and the cash flow adequacy ratio.

Formula:

#### 1. Financial Ratio

(1) Total liabilities to Total assets = Total liabilities / Total assets

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

#### 2. Ability to Pay off Debt

(1) Current ratio = Current Assets / Current liability

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

### 3. Ability to Operate

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

### 4. Earning Ability

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

### 5. Cash Flow

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

### 6. Leverage

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

## (2) Financial Analysis – R.O.C. GAAP

Item		Period		Most recent 5-Year Financial Information					
		2011	2012	2013	2014	2015			
Financial Ratio %	Total liabilities to total assets	64.46%	66.65%						
	Long-term capital to PP&E	205.7%	201.75%						
Ability to payoff debt (%)	Current ratio	129.44%	123.43%						
	Quick ratio	89.54%	94.29%						
	Interest protection	18.98	13.34						
Ability to operate	A/R turnover (times)	7.73	7.00						
	A/R turnover days	47	52						
	Inventory turnover (times)	9.56	9.36						
	Account payable turnover (times)	6.53	6.03						
	Days sales outstanding	38	39						
	Fixed assets turnover (times)	11.00	10.47						
	Total assets turnover (times)	2.22	2.07	N/A	N/A	N/A			
Earning ability	Return on assets (%)	5.56%	5.26%						
	Return on equity (%)	14.52%	14.16%						
	To pay-in capital %	Operating income	77.5%	91.63%					
		PBT	95.93%	100.02%					
	Net margin (%)	2.37%	2.35%						
EPS (NT\$)	6.27	7.28							
Cash flow	Cash flow ratio (%)	10.21%	14.38%						
	Cash flow adequacy ratio (%)	56.38%	68.44%						
	Cash reinvestment ratio (%)	10.08%	16.55%						
Leverage	Operating leverage	4.68	4.57						
	Financial leverage	1.07	1.10						
The reasons for all financial ratio changes within the most recent two years are as follows (if less than 20% are exempt from analysis):									
N/A									

Formula:

### 1. Financial Ratio

(1) Total liabilities to Total assets = Total liabilities / Total assets

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

### 2. Ability to Pay off Debt

(1) Current ratio = Current Assets / Current liability

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability

(3) Interest protection = Net income before income tax and interest expense / Interest expense

### 3. Ability to Operate

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

#### 4. Earning Ability

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

#### 5. Cash Flow

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

#### 6. Leverage

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

### **C. Audit Report by Supervisors**

The Board reports the financial statement, business report, and earnings distribution proposal of 2015, and financial statement have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2016 Regular Shareholders' Meeting of the Company

Hon Hai Precision Industry Co., Ltd.

Supervisor: Wan, Jui-hsia

On the Date of May 13, 2016



## **Audit Report by Supervisors**

The Board reports the financial statement, business report, and earnings distribution proposal of 2015, and financial statement have been audited by PricewaterhouseCoopers Taiwan. The financial statements, business report and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2016 Regular Shareholders' Meeting of the Company

Hon Hai Precision Industry Co., Ltd.

Supervisor: Fu-Rui International Investment Co., Ltd.

Representative: Chuo, Min-chih

On the Date of May 13, 2016

**D. 2015 Consolidated Financial Statements With Subsidiaries Audited by  
CPA**

**HON HAI PRECISION INDUSTRY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2015 AND 2014**

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have audited the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$184,681,006,000 and NT\$206,004,889,000, constituting 8% and 8.36% of the consolidated total assets as of December 31, 2015 and 2014, respectively, and total operating revenues of NT\$225,844,217,000 and NT\$205,240,782,000, constituting 5.04% and 4.87% of the consolidated total operating revenues for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hon Hai Precision Industry Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Hon Hai Precision Industry Co., Ltd. as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 30, 2016

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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.

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2015		December 31, 2014		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 657,137,721	29	\$ 679,037,301	28
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		6,114,913	-	3,438,255	-
1125	Available-for-sale financial assets	6(3)				
	- current		627,508	-	1,035,704	-
1170	Accounts receivable, net	6(4)	564,705,314	24	748,286,815	30
1180	Accounts receivable - related	7				
	parties		26,203,276	1	24,093,966	1
1200	Other receivables	6(5) and 7	43,779,955	2	45,923,820	2
130X	Inventory	6(6)	424,625,017	18	369,196,813	15
1410	Prepayments		14,444,295	1	10,413,141	-
1460	Non-current assets held for sale -	6(7)				
	net		-	-	9,902,089	-
1470	Other current assets	6(8) and 8	50,580,974	2	41,093,451	2
11XX	<b>Total current assets</b>		<u>1,788,218,973</u>	<u>77</u>	<u>1,932,421,355</u>	<u>78</u>
<b>Non-current assets</b>						
1523	Available-for-sale financial assets	6(3)				
	- non-current		38,997,120	2	52,792,228	2
1543	Financial assets carried at cost -	6(9)				
	non-current		18,795,163	1	5,792,900	-
1550	Investments accounted for under	6(10)				
	equity method		77,634,937	3	63,412,270	3
1600	Property, plant and equipment	6(11) and 8	336,738,466	15	358,868,558	15
1760	Investment property - net	6(12)	3,014,648	-	3,164,666	-
1780	Intangible assets	6(13)	3,253,837	-	4,440,091	-
1840	Deferred income tax assets	6(36)	18,303,571	1	17,376,159	1
1900	Other non-current assets	6(14) and 8	23,343,162	1	24,446,522	1
15XX	<b>Total non-current assets</b>		<u>520,080,904</u>	<u>23</u>	<u>530,293,394</u>	<u>22</u>
1XXX	<b>Total assets</b>		<u>\$ 2,308,299,877</u>	<u>100</u>	<u>\$ 2,462,714,749</u>	<u>100</u>

(Continued)

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2015		December 31, 2014		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(16)	\$ 70,233,209	3	\$ 226,500,507	9
2110	Short-term notes and bills payable	6(15)	7,000,000	-	-	-
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		484,773	-	1,271,012	-
2170	Accounts payable		613,195,241	27	694,315,259	28
2180	Accounts payable - related parties	7	30,862,535	1	41,014,601	2
2200	Other payables	6(17) and 7	197,024,433	9	223,575,519	9
2230	Current income tax liabilities	6(36)	32,684,113	1	31,690,222	2
2250	Provisions for liabilities - current	6(24)	2,332,882	-	2,674,879	-
2260	Liabilities directly related to non-current assets held for sale	6(7)	-	-	2,054,833	-
2300	Other current liabilities	6(18)	102,305,015	5	79,504,965	3
21XX	<b>Total current liabilities</b>		<u>1,056,122,201</u>	<u>46</u>	<u>1,302,601,797</u>	<u>53</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(19)	161,789,254	7	134,644,413	6
2540	Long-term loans	6(20)	10,221,175	1	24,197,727	1
2570	Deferred income tax liabilities	6(36)	9,580,816	-	7,089,517	-
2600	Other non-current liabilities	6(23)	10,195,352	-	9,504,493	-
25XX	<b>Total non-current liabilities</b>		<u>191,786,597</u>	<u>8</u>	<u>175,436,150</u>	<u>7</u>
2XXX	<b>Total liabilities</b>		<u>1,247,908,798</u>	<u>54</u>	<u>1,478,037,947</u>	<u>60</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(25)	156,382,881	7	147,934,068	6
<b>Capital reserve</b>						
3200	Capital surplus	6(26)	81,736,538	4	71,659,908	3
<b>Retained earnings</b>						
3310	Legal reserve	6(27)	93,179,928	4	80,126,455	3
3350	Undistributed earnings		616,227,711	27	546,932,523	22
<b>Other equity interest</b>						
3400	Other equity interest	6(28)	60,121,681	2	83,597,180	4
3500	Treasury stocks	6(25)	(18,901)	-	(18,901)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,007,629,838</u>	<u>44</u>	<u>930,231,233</u>	<u>38</u>
36XX	<b>Non-controlling interest</b>	6(29)	<u>52,761,241</u>	<u>2</u>	<u>54,445,569</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>1,060,391,079</u>	<u>46</u>	<u>984,676,802</u>	<u>40</u>
<b>Commitments and Contingent Liabilities</b>						
<b>Subsequent Events</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,308,299,877</u>	<u>100</u>	<u>\$ 2,462,714,749</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AN 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT FOR EARNING PER SHARE AMOUNTS)

Items	Notes	Year ended December 31				
		2015		2014		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(30) and 7	\$ 4,482,145,967	100	\$ 4,213,172,321	100
5000	<b>Operating costs</b>	6(6)(33)(34) and 7	( 4,161,553,998)	( 93)	( 3,921,228,465)	( 93)
5900	<b>Net operating margin</b>		<u>320,591,969</u>	<u>7</u>	<u>291,943,856</u>	<u>7</u>
	<b>Operating expenses</b>	6(33)(34) and 7				
6100	Selling expenses		( 25,989,320)	-	( 26,146,194)	( 1)
6200	General and administrative expenses		( 77,842,389)	( 2)	( 73,752,491)	( 2)
6300	Research and development expenses		( 52,491,689)	( 1)	( 48,853,760)	( 1)
6000	<b>Total operating expenses</b>		( 156,323,398)	( 3)	( 148,752,445)	( 4)
6900	<b>Operating profit</b>		<u>164,268,571</u>	<u>4</u>	<u>143,191,411</u>	<u>3</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(31)	33,128,050	1	31,872,566	1
7020	Other gains and losses	6(32)	15,603,891	-	11,083,457	-
7050	Finance costs	6(4)(35)	( 18,870,539)	-	( 15,007,075)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(10)	<u>4,908,342</u>	-	<u>2,980,013</u>	-
7000	<b>Total non-operating income and expenses</b>		<u>34,769,744</u>	<u>1</u>	<u>30,928,961</u>	<u>1</u>
7900	<b>Profit before income tax</b>		199,038,315	5	174,120,372	4
7950	Income tax expense	6(36)	( 48,836,899)	( 1)	( 41,638,550)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 150,201,416</u>	<u>4</u>	<u>\$ 132,481,822</u>	<u>3</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AN 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT FOR EARNING PER SHARE AMOUNTS)

Items	Notes	Year ended December 31				
		2015		2014		
		AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income</b>						
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>						
8311	Remeasurement of defined benefit plan	6(21)	(\$ 154,574)	-	(\$ 39,784)	-
8349	Income tax relating to components of other comprehensive income	6(36)	26,278	-	6,763	-
8310	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					-
			(128,296)	-	(33,021)	-
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations	6(28)(29)	(12,294,193)	-	36,576,979	1
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(28)(29)	(16,168,326)	(1)	18,419,522	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	6(28)	(482,017)	-	606,016	-
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>					-
			(28,944,536)	(1)	55,602,517	1
8300	<b>Other comprehensive (loss) income for the year</b>					1
			(\$ 29,072,832)	(1)	\$ 55,569,496	1
8500	<b>Total comprehensive income for the year</b>					4
			\$ 121,128,584	3	\$ 188,051,318	4
<b>Profit attributable to:</b>						
8610	Owners of the parent		\$ 146,866,977	4	\$ 130,534,729	3
8620	Non-controlling interest		3,334,439	-	1,947,093	-
			\$ 150,201,416	4	\$ 132,481,822	3
<b>Comprehensive income attributable to:</b>						
8710	Owners of the parent		\$ 123,263,182	3	\$ 182,370,027	4
8720	Non-controlling interest		(2,134,598)	-	5,681,291	-
			\$ 121,128,584	3	\$ 188,051,318	4
<b>Earnings per share (in dollars)</b>						
9750	Basic earnings per share	6(37)	\$ 9.42		\$ 8.40	
9850	Diluted earnings per share		\$ 9.31		\$ 8.32	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.



**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total Equity
	Retained Earnings					Other Equity Interest						
	Share capital - common stock	Capital reserve	Legal reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Unearned employee benefits	Treasury stocks	Total			
<b>2014</b>												
Balance at January 1, 2014	\$ 131,287,068	\$ 64,792,873	\$ 69,456,739	\$ 467,423,426	\$ 26,432,947	\$ 5,295,914	\$ -	(\$18,901)	\$ 764,670,066	\$ 41,254,536	\$ 805,924,602	
Appropriations of 2013 earnings:												
Legal reserve 6(27)	-	-	10,669,716	( 10,669,716 )	-	-	-	-	-	-	-	
Cash dividends 6(27)	-	-	-	( 23,631,672 )	-	-	-	-	( 23,631,672 )	-	( 23,631,672 )	
Stock dividends 6(27)	15,754,448	-	-	( 15,754,448 )	-	-	-	-	-	-	-	
Employees' stock bonus 6(33)	892,552	6,789,643	-	-	-	-	-	-	7,682,195	-	7,682,195	
Consolidated net income	-	-	-	130,534,729	-	-	-	-	130,534,729	1,947,093	132,481,822	
Other comprehensive income, net of income tax 6(28)	-	-	-	( 33,021 )	33,177,288	18,691,031	-	-	51,835,298	3,734,198	55,569,496	
Changes in equity of associates and joint ventures accounted for under the equity method 6(29)	-	127,968	-	( 12,462 )	-	-	-	-	115,506	-	115,506	
Adjustments arising from changes in percentage of ownership in subsidiaries 6(28)	-	( 50,576 )	-	( 924,313 )	-	-	-	-	( 974,889 )	-	( 974,889 )	
Increase in non-controlling interests - subsidiaries	-	-	-	-	-	-	-	-	-	7,509,742	7,509,742	
Balance at December 31, 2014	<u>\$ 147,934,068</u>	<u>\$ 71,659,908</u>	<u>\$ 80,126,455</u>	<u>\$ 546,932,523</u>	<u>\$ 59,610,235</u>	<u>\$ 23,986,945</u>	<u>\$ -</u>	<u>(\$18,901)</u>	<u>\$ 930,231,233</u>	<u>\$ 54,445,569</u>	<u>\$ 984,676,802</u>	
<b>2015</b>												
Balance at January 1, 2015	\$ 147,934,068	\$ 71,659,908	\$ 80,126,455	\$ 546,932,523	\$ 59,610,235	\$ 23,986,945	\$ -	(\$18,901)	\$ 930,231,233	\$ 54,445,569	\$ 984,676,802	
Appropriations of 2014 earnings:												
Legal reserve 6(27)	-	-	13,053,473	( 13,053,473 )	-	-	-	-	-	-	-	
Cash dividends 6(27)	-	-	-	( 56,214,946 )	-	-	-	-	( 56,214,946 )	-	( 56,214,946 )	
Stock dividends 6(27)	7,396,703	-	-	( 7,396,703 )	-	-	-	-	-	-	-	
Employees' stock bonus 6(33)	1,052,110	8,346,391	-	-	-	-	-	-	9,398,501	-	9,398,501	
Consolidated net income	-	-	-	146,866,977	-	-	-	-	146,866,977	3,334,439	150,201,416	
Other comprehensive loss 6(28)	-	-	-	( 128,296 )	( 6,675,947 )	( 16,799,552 )	-	-	( 23,603,795 )	( 5,469,037 )	( 29,072,832 )	
Changes in equity of associates and joint ventures accounted for under the equity method 6(29)	-	1,731,828	-	-	-	-	-	-	1,731,828	-	1,731,828	
Issuance of restricted stocks 6(22)	3,550,000	17,831,955	-	-	-	-	( 21,381,955 )	-	-	-	-	
Restricted stock revoked due to employees not meeting the vesting condition 6(22)	( 3,550,000 )	( 17,831,955 )	-	-	-	-	21,381,955	-	-	-	-	
Adjustments arising from changes in percentage of ownership in subsidiaries 6(28)	-	( 1,589 )	-	( 778,371 )	-	-	-	-	( 779,960 )	-	( 779,960 )	
Increase in non-controlling interests 6(29)	-	-	-	-	-	-	-	-	-	450,270	450,270	
Balance at December 31, 2015	<u>\$ 156,382,881</u>	<u>\$ 81,736,538</u>	<u>\$ 93,179,928</u>	<u>\$ 616,227,711</u>	<u>\$ 52,934,288</u>	<u>\$ 7,187,393</u>	<u>\$ -</u>	<u>(\$18,901)</u>	<u>\$ 1,007,629,838</u>	<u>\$ 52,761,241</u>	<u>\$ 1,060,391,079</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	2015	2014
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 199,038,315	\$ 174,120,372
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(33)	70,330,897	69,402,883
Amortization	6(33)	926,227	828,967
Provision for doubtful accounts and sales discount		452,769	298,790
Impairment loss	6(32)	2,595,631	1,706,217
Gain on disposal of property, plant and equipment, net	6(32)	( 631,716 )	( 565,745 )
Loss (gain) on financial assets or liabilities at fair value through profit or loss, net	6(32)	3,801,694	( 2,374,063 )
Share of profit of associates and joint ventures accounted for using equity method		( 4,908,342 )	( 2,980,013 )
Gain on disposal of investment	6(32)	( 4,624,214 )	( 3,010,171 )
Gain on disposal of non-current assets held for sale	6(7)	( 28,375 )	-
Interest expense	6(35)	18,864,432	14,861,301
Interest income	6(31)	( 26,024,974 )	( 26,053,459 )
Dividend income	6(31)	( 895,708 )	( 676,006 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		( 7,264,591 )	1,364,986
Notes receivable		237,111	( 118,291 )
Accounts receivable		181,012,131	( 20,273,246 )
Increase in accounts receivable due from related parties		( 1,010,161 )	( 4,145,708 )
Other receivables		8,378,661	( 5,024,877 )
Inventories		( 55,428,204 )	( 56,411,721 )
Prepayments		( 4,028,787 )	( 4,019,388 )
Changes in operating liabilities			
Accounts payable		( 81,164,085 )	11,008,696
Accounts payable to related parties		( 10,152,066 )	11,252,862
Other payables		( 6,122,819 )	42,818,053
Provisions for liabilities - current		( 341,997 )	268,543
Other current liabilities		5,403,159	23,185,244
Accrued pension liabilities		186,767	5,720
Cash inflow generated from operations		288,601,755	225,469,946
Income taxes (paid)		( 46,279,121 )	( 34,794,235 )
Net cash flows from operating activities		<u>242,322,634</u>	<u>190,675,711</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	2015	2014
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(38)	(\$ 70,959,526 )	(\$ 27,565,013 )
Increase in other financial assets - current		( 9,487,523 )	( 35,928,290 )
Acquisition of available-for-sale financial assets		( 3,149,709 )	( 15,493,910 )
Acquisition of investments accounted for under equity method		( 7,930,360 )	( 14,047,766 )
Acquisition of financial assets at cost		( 13,150,561 )	( 1,173,338 )
Acquisition of intangible assets	6(13)	( 56,610 )	( 128,600 )
Proceeds from disposal of financial assets carried at cost		11,316	475,330
Proceeds from disposal of available-for-sale financial assets		7,460,257	4,318,161
Proceeds from disposal of investments accounted for using equity method		314,656	181,120
Proceeds from disposal of property, plant and equipment		4,718,741	1,006,829
Proceeds from disposal of non-current assets held for sale	6(7)	3,433,375	-
Increase in accounts receivable due from related parties	7	( 1,107,647 )	( 475,107 )
Interest received		20,897,825	25,844,433
Dividends received		3,379,604	1,615,892
(Increase) decrease in other financial assets - non-current		( 12,677 )	1,300
Increase in other prepayments		( 368,768 )	( 150,405 )
Increase in other non-current assets		( 157,666 )	( 980,840 )
Other investing activities		425,612	249,839
Net cash flows used in investing activities		<u>( 65,739,661 )</u>	<u>( 62,250,365 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term loans		( 156,067,298 )	( 146,255,411 )
Increase (decrease) in short-term notes and bills payable		7,000,000	( 20,000,000 )
Proceeds from issuing bonds		50,212,659	53,118,404
Repayment of bonds payable		( 16,500,000 )	( 6,410,000 )
Proceeds from long-term debt		2,745,533	1,338,490
Repayment of long-term debt		( 8,169,988 )	( 8,110,433 )
Increase (decrease) in other non-current liabilities		55,315	( 266,032 )
Cash dividends paid	6(27)	( 56,214,946 )	( 23,631,672 )
Changes in non-controlling interests	6(29)	450,270	6,024,812
Interest paid		( 14,689,929 )	( 14,026,640 )
Net cash flows used in financing activities		<u>( 191,178,384 )</u>	<u>( 158,218,482 )</u>
Effect of exchange rate changes on cash and cash equivalents		<u>( 7,304,169 )</u>	<u>14,803,392</u>
Net decrease in cash and cash equivalents		( 21,899,580 )	( 14,989,744 )
Cash and cash equivalents at beginning of year		679,037,301	694,027,045
Cash and cash equivalents at end of year		<u>\$ 657,137,721</u>	<u>\$ 679,037,301</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2016.

HON HAI PRECISION INDUSTRY CO., LTD.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2016.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on by FSC April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange Securities Market or Emerging Stock Market shall adopt the 2013 edition of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 edition of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 edition of IFRS of the Group is listed below:

A. IAS 19 (revised), ‘Employee benefits’

This standard has no significant impact to the Group’s financial condition and operating result. Additional disclosures are required to present defined benefit plans.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in other comprehensive income (the “OCI”) classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. As the items are required to be presented as pre-tax items, the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

### C. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

### D. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, the fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

### E. Disclosures - Transfers of financial assets (amendment to IFRS 7)

The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.

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

None.

### 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 2013 edition of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is completed.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Compliance statement

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

### Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.

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

Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2015	December 31, 2014	
Hon Hai Precision Industry Co., Ltd.	Foxconn (Far East) Limited and subsidiaries	Investment holdings in companies in Mainland China, Hong Kong, Europe and America primarily engaged in manufacturing, sale, research and development of computer cases, connectors and computer components	100	100	
"	Foxconn Holding Ltd. and subsidiaries	Investment holdings in hi-tech companies in Asia-Pacific and America	100	100	
"	Hyield Venture Capital Co., Ltd. and subsidiaries	Venture capital investments in companies primarily engaged in manufacturing of automobile wires/ electronic devices and electronic components, and services of planning, advisory and business management	97.95	97.95	
"	Bao Shin International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	
"	Hon Yuan International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	



Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2015	December 31, 2014	
Hon Hai Precision Industry Co., Ltd.	Hon Chi International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in software and electronic information application services, and manufacturing and sale of machinery and equipment	100	100	
"	Lin Yih International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing electronic components	100	100	
"	Hon Hai/Foxconn Logistics California LLC.	Logistics services in America	100	100	
"	Hon Hai/Foxconn Logistics Texas LLC.	Logistics services in America	100	100	
"	Ambit International Ltd. and subsidiaries	Investment holdings in companies in Mainland China primarily engaged in manufacturing and sale of power supply modules, application modules and network cables assemblies	100	100	
"	Foxconn Singapore (Pte) Ltd. and subsidiaries	Asia-Pacific sales company	100	100	
"	Foxconn International Inc.	Patent applications in America	100	100	
"	Altus Technology Inc.	Leasing services	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2015	December 31, 2014	
Hon Hai Precision Industry Co., Ltd.	Premier Image Technology -Hong Kong Limited and subsidiaries	Investment holdings in companies in Mainland China, primarily engaged in manufacturing and trading of portable cameras	99.96	99.96	
"	Foxconn SA B.V. and subsidiaries	Investment holdings in Russian domestic sales companies	100	100	
"	Margini Holdings Limited and subsidiaries	Investment holdings in Vietnam export processing and construction services companies and Brazil domestic sales companies	100	100	
"	Foxconn Holdings B.V. - Netherland and subsidiaries	Investment holdings in companies in Europe	100	100	
"	Syntrend Creative Park Co., Ltd.	Retail of office machinery and equipment and electronic appliances, and information/software services	73.47	73.47	
"	Ambit Microsystems Corporation and subsidiaries	Mobile communications business, services of intellectual property rights, manufacturing and sale of communication and apparatus	-	85.1	Note

Note: On June 18, 2014, the Board of Directors has resolved the merger of the subsidiary, Ambit Microsystems Corporation, with Asia Pacific Telecom Co., Ltd. through stock swap. The merger was effective on December 31, 2015. The swap ratio was 1:0.4975. Under the merger, Ambit Microsystems Corporation was the dissolved company while Asia Pacific Telecom Co., Ltd. was the surviving company. Details are provided in Note 6(7).

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2015 and 2014, the non-controlling interest amounted to \$ 52,761,241, and \$54,445,569, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2015		December 31, 2014	
		Amount	Ownership %	Amount	Ownership %
FIH MOBILE LIMITED	Cayman	\$ 46,002,803	35%	\$ 44,571,218	35%

Summarised financial information of the subsidiary:

Balance sheets

	FIH MOBILE LIMITED	
	December 31, 2015	December 31, 2014
Current assets	\$ 148,905,685	\$ 180,659,529
Non-current assets	41,672,957	35,273,292
Current liabilities	( 66,389,877)	( 90,572,394)
Non-current liabilities	( 898,524)	( 980,042)
Total net assets	<u>\$ 123,290,241</u>	<u>\$ 124,380,385</u>

Statements of comprehensive income

	FIH MOBILE LIMITED	
	For the years ended December 31,	
	2015	2014
Revenue and other operating revenue	\$ 244,233,112	\$ 219,675,756
Profit before income tax	\$ 9,209,806	\$ 8,127,627
Income tax expense	( 1,951,994)	( 2,995,931)
Profit for the year from continuing operations	7,257,812	5,131,696
Other comprehensive loss, net of tax	( 7,716,200)	( 1,665,959)
Total comprehensive (loss) income for the year	<u>(\$ 458,388)</u>	<u>\$ 3,465,737</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 21,588)</u>	<u>(\$ 20,368)</u>
Dividends paid to non-controlling interest	<u>\$ 2,123,356</u>	<u>\$ -</u>

## Statements of cash flows

	<u>FIH MOBILE LIMITED</u>	
	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 27,840,931	\$ 7,641,969
Net cash used in investing activities	( 8,616,267)	( 17,278,276)
Net cash (used in) provided by financing activities	( 11,324,039)	2,366,241
Effect of exchange rates on cash and cash equivalents	( 4,532,567)	( 1,213,309)
Increase (decrease) in cash and cash equivalents	<u>3,368,058</u>	<u>( 8,483,375)</u>
Cash and cash equivalents, beginning of year	<u>57,981,396</u>	<u>64,380,834</u>
Cash and cash equivalents, end of year	<u>\$ 61,349,454</u>	<u>\$ 55,897,459</u>

## Foreign currency translation

- A. The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.
- B. Foreign currency transactions and balances
- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".
- C. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation as an associate is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when 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, if 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.

#### 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 realized, 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 realized 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.

#### Cash equivalents

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

#### Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets held for trading or designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
- (a) Hybrid (combined) contracts; or
  - (b) Capable of eliminating or significantly reducing a measurement or recognition inconsistency; or
  - (c) Performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

#### Available-for-sale financial assets

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

### Accounts receivable

Accounts receivable are generated by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

### Impairment of financial assets

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

financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized 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 recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

Derecognition of financial assets

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

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

Operating lease (lessor)

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



### Inventories

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

### Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### Investments accounted for under equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or

decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized 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 recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

#### Property, plant and equipment

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

Estimates and Errors', from the date of the change.

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

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

#### Leased assets/ leases (lessee)

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

#### Investment property

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

#### Intangible assets

- A. Goodwill is generated by adopting the acquisition method when merger and acquisition occurs.
- B. Patent is amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

#### 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have

been if the impairment had not been recognised.

- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment is recognized when recoverable amount is lower than carrying amount. Impairment loss should not be reversed in the future.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

#### Borrowings

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

#### Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

#### Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
  - 1. Hybrid (combined) contracts; or
  - 2. Capable of eliminating or significantly reducing a measurement or recognition inconsistency;  
or
  - 3. Performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these

financial liabilities are recognised in profit or loss.

#### Derecognition of financial liabilities

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

#### Offsetting financial instruments

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

#### Financial liabilities and equity instruments - Bonds payable

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

#### Derivative financial instruments

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

#### Provisions

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

#### Employee benefits

##### A. Short-term employee benefits

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

##### B. Pensions

###### (a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the

extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

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

C. Employees', directors' and supervisors' remuneration

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

Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognized as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled, with any changes in fair value recognized in profit or loss.

C. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where employees do not need to pay to acquire those stocks, the Group will collect the stocks at no consideration from employees who resign during the vesting period.

Income tax

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

intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

#### 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.

#### Revenue recognition

The Group manufactures and sells 3C products. Revenue is measured at the fair value of the consideration received or receivable, taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is 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.

#### Government grants

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

#### Operating segments

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



## CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION ON UNCERTAINTY

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

### (2) Critical judgments in applying the Group's accounting policies

#### A. Revenue recognition

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

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

#### B. Offsetting financial instruments

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

### Critical accounting estimates and assumptions

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

#### Evaluation of inventories

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

As of December 31, 2015, the carrying amount of inventories was \$424, 625,017.

## DETAILS OF SIGNIFICANT ACCOUNTS

### (3) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and revolving funds	\$ 383,418	\$ 308,960
Checking accounts and demand deposits	388,395,146	268,252,902
Cash equivalents - Time deposits	266,661,491	410,475,439
Cash equivalents - Repo bonds	1,697,666	-
	<u>\$ 657,137,721</u>	<u>\$ 679,037,301</u>

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

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

### Financial assets and liabilities at fair value through profit or loss

<u>Assets</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Financial products	\$ -	\$ 3,816
Beneficiary certificates	404,246	712,541
Cross currency swap contracts	5,280,768	2,191,335
Forward exchange contracts	429,899	312,322
Others	-	218,241
	<u>\$ 6,114,913</u>	<u>\$ 3,438,255</u>
<u>Liabilities</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Cross currency swap contracts	(\$ 12,727)	(\$ 811,314)
Forward exchange contracts	( 472,046)	( 459,698)
	<u>(\$ 484,773)</u>	<u>(\$ 1,271,012)</u>

A. For the years ended December 31, 2015 and 2014, the Group recognized net loss of \$3,801,694 and profit of \$2,374,063 on financial assets and liabilities recognized above, respectively.

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

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

December 31, 2015			
<u>Derivative Financial Assets</u>	<u>Contract amount</u>	<u>Contract period</u>	
	(Nominal Principal in thousands)		
Current items:			
Cross currency swap contracts	USD (BUY)	4,650,000	2015.05.26~2016.09.28
	TWD (SELL)	148,067,050	2015.05.26~2016.09.28
Foreign exchange forward contracts	JPY (BUY)	61,490,000	2015.12.18~2016.03.22
	RMB (BUY)	2,464,001	2015.12.30~2016.02.01
	CZK (BUY)	618,900	2015.12.30~2016.01.05
	AUD (BUY)	25,000	2015.12.31~2016.01.04
	USD (SELL)	916,220	2015.12.18~2016.03.22

December 31, 2015			
<u>Derivative Financial Liabilities</u>	<u>Contract amount</u>	<u>Contract period</u>	
	(Nominal Principal in thousands)		
Current items:			
Cross currency swap contracts	USD (BUY)	200,000	2015.09.25~2016.06.30
	TWD (SELL)	6,599,600	2015.09.25~2016.06.30
Foreign exchange forward contracts	TWD (BUY)	16,437,500	2015.12.17~2016.03.21
	RMB (BUY)	8,457,434	2015.11.09~2016.02.01
	USD (BUY)	1,732	2015.12.23~2016.01.22
	USD (SELL)	1,797,441	2015.11.09~2016.03.21
	INR (SELL)	115,014	2015.12.23~2016.01.22

December 31, 2014			
<u>Derivative Financial Assets</u>	<u>Contract amount</u>	<u>Contract period</u>	
	(Nominal Principal in thousands)		
Current items:			
Cross currency swap contracts	JPY (BUY)	32,791,000	2014.12.02~2015.06.09
	USD (BUY)	1,480,000	2014.07.11~2015.05.29
	TWD (SELL)	53,360,687	2014.07.11~2015.06.09
Foreign exchange forward contracts	RMB (BUY)	2,983,910	2014.05.28~2015.01.22
	USD (BUY)	301,364	2014.11.07~2015.03.18
	RMB (SELL)	1,862,490	2014.11.21~2015.03.18
	USD (SELL)	477,309	2014.05.28~2015.01.22
	EUR (SELL)	1,100	2014.11.07~2015.01.15

<u>Derivative Financial Liabilities</u>	December 31, 2014		
	Contract amount (Nominal Principal in thousands)	Contract period	
Current items:			
Cross currency swap contracts	JPY (BUY)	64,758,000	2014.09.18~2015.03.23
	TWD (SELL)	17,989,772	2014.09.18~2015.03.23
Foreign exchange forward contracts	RMB (BUY)	3,902,087	2014.09.30~2015.03.23
	MXN (BUY)	1,119,325	2014.09.05~2015.03.12
	USD (BUY)	463,000	2014.10.24~2015.03.10
	KRW (BUY)	384,125	2014.11.12~2015.01.08
	INR (BUY)	28,330	2014.11.07~2015.01.06
	JPY (BUY)	8,752	2014.12.19~2015.01.09
	RMB (SELL)	2,859,805	2014.10.24~2015.03.10
	USD (SELL)	713,428	2014.09.05~2015.03.23

(a) Cross currency swap contracts

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

(b) Forward foreign exchange contracts

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

A. Operating activities: Import of raw materials and export sales.

B. Investing activities: Import of machinery and equipment.

C. Financing activities: Long-term and short-term foreign currency assets and liabilities.

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

Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Listed stocks	\$ 79,674	\$ 41,867
Adjustment of available-for-sale financial assets	547,834	993,837
	<u>\$ 627,508</u>	<u>\$ 1,035,704</u>
Non-current items:		
Listed stocks	\$ 29,656,793	\$ 27,997,755
Foreign investment fund	607,355	585,525
Emerging stocks	-	28,740
	30,264,148	28,612,020
Adjustment of available-for-sale financial assets	8,732,972	24,180,208
	<u>\$ 38,997,120</u>	<u>\$ 52,792,228</u>

The Group recognized net loss or gain in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014. Please refer to Notes 6(27) and (28) for details. The Group reclassified \$4,607,161 and \$3,087,974 from equity to profit or loss for the years ended December 31, 2015 and 2014, respectively.

Notes and accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Notes receivable	\$ 1,241,124	\$ 1,478,235
Accounts receivable	569,065,964	752,039,045
Less: Allowance for sales returns and allowances (	2,398,514) (	2,479,974)
Allowance for doubtful accounts	(3,203,260) (	2,750,491)
	<u>\$ 564,705,314</u>	<u>\$ 748,286,815</u>

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

As of December 31, 2015 and December 31, 2014, there is no unsettled accounts receivable factored.

B. As of December 31, 2015 and 2014, the Group has not signed promissory notes as guarantee for accounts receivable in commercial dispute.

C. For the years ended December 31, 2015 and 2014, the financing charges (expenses) incurred from accounts receivable factoring were \$6,107 and \$145,774 (shown as “finance costs”), respectively.

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

Other receivables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Tax refund receivable	\$ 30,123,367	\$ 34,959,731
Interest receivable	6,833,196	1,759,614
Receivable from purchases made on behalf of others	411,376	2,954,006
Receivable from disposal of equipment	193,511	728,914
Others	6,218,505	5,521,555
	<u>\$ 43,779,955</u>	<u>\$ 45,923,820</u>

The counterparties of the Group’s other accounts receivable are good credit quality enterprises and government agencies. There is no significant breach concerns and credit risk.

## Inventories

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Raw materials	\$ 83,927,067	\$ 80,213,755
Work in process	66,706,827	73,037,270
Finished goods	278,832,141	208,537,221
Inventory in transit	<u>25,884,726</u>	<u>26,930,468</u>
	455,350,761	388,718,714
Less: Allowance for inventory obsolescence and market price decline	( <u>30,725,744</u> )	( <u>19,521,901</u> )
	<u>\$ 424,625,017</u>	<u>\$ 369,196,813</u>

Expenses and losses incurred on inventories for the years ended December 31, 2015 and 2014 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of inventories sold	\$ 4,154,261,826	\$ 3,925,918,922
Loss on inventory obsolescence and market price decline	11,724,725	576,368
Revenue from sale of scraps	( 5,171,131 )	( 5,623,224 )
Others	<u>738,578</u>	<u>356,399</u>
	<u>\$ 4,161,553,998</u>	<u>\$ 3,921,228,465</u>

## Non-current assets held for sale

- A. On June 18, 2014, the Board of Directors has resolved the merger of the subsidiary, Ambit Microsystems Corporation, with Asia Pacific Telecom Co., Ltd. through stock swap. The merger was effective on December 31, 2015. The swap ratio was 1:0.4975. Under the merger, Ambit Microsystems Corporation was the dissolved company while Asia Pacific Telecom Co., Ltd. was the surviving company.
- B. The assets and liabilities related to Ambit have been reclassified as disposal group held for sale prior to the effective date of merger. The disposal group held for sale as at December 31, 2014 as follows:

(a) Assets directly relating to non-current assets held for sale:

	<u>December 31, 2014</u>
Cash and cash equivalents	\$ 88,977
Other current assets	8,058
Property, plant and equipment	688,424
Intangible assets	9,097,861
Other non-current assets	<u>18,769</u>
	<u>\$ 9,902,089</u>

(b) Liabilities directly relating to non-current assets held for sale:

	<u>December 31, 2014</u>
Short-term loans	\$ 2,000,000
Accounts payable and other payables	48,015
Other liabilities	6,818
	<u>\$ 2,054,833</u>

(C) Impairment loss of \$ 2,325,982 and \$91,058 was recognised for the years ended December 31, 2015 and 2014 (shown as “other gains and losses”), respectively, as a result of the remeasurement of the disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

C. On September 25, 2014, the Board of Directors of Ambit has resolved to dispose Ambit’s 5MHz spectrum of wireless broadband and to sell the use right of 728~733 MHz (upstream frequency band) and 783~788 MHz (downstream frequency band) of frequency band A3 of 700M Hz to Taiwan Mobile Co., Ltd.. The proceeds was \$3,433,375 and the gain on disposal was \$28,375. The transaction has been approved by the National Communications Commission and was completed in January 2015.

Other current assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Capital guarantee financial products	\$ 12,629,860	\$ 32,502,752
Time deposits with maturity over three months	37,384,154	7,053,399
Refundable deposits	104,714	1,529,523
Pledged time deposits	462,246	7,777
	<u>\$ 50,580,974</u>	<u>\$ 41,093,451</u>

The Group has signed a contract for capital guarantee financial products with the bank for the years ended December 31, 2015 and 2014, and the expected range for annualised rate of return is between 2.65%~5.63% and 3.9%~4.9%, respectively.

Financial assets carried at cost

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Non-current item:		
Unlisted stocks	<u>\$ 18,795,163</u>	<u>\$ 5,792,900</u>

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

listed share investment in the third quarter of 2015 pertains to the investment in shares of Jasper Infotech Private Limited. The investment is approximately US\$200,004 thousand. Jasper Infotech Private Limited is primarily engaged in operations of online shopping sites.

- B. The Group has assessed the aforementioned financial instruments. Because partial investment was impaired, the Group has recognised impairment loss of \$158,000 and \$87,730 (shown as “other gain and loss”) for the years ended December 31, 2015 and 2014, respectively.
- C. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Group were pledged to others.

Investments accounted for under equity method

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foxconn Technology Co., Ltd.	\$ 27,166,249	\$ 23,906,139
Zhen Ding Technology Holding Limited	16,385,926	13,582,549
Asia Pacific Telecom Co., Ltd.	9,796,713	9,536,143
Pan International Industrial Corporation	2,954,789	3,016,667
General Interface Solution Holding Limited	2,834,332	1,981,188
Others	18,496,928	11,389,584
	<u>\$ 77,634,937</u>	<u>\$ 63,412,270</u>

- A. The Group has assessed impairment of certain investees for the years ended December 31, 2015 and 2014, and has accrued impairment loss of \$257,483 and \$244,847, respectively (shown as “other gains and losses”).

B. Associates

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2015</u>	<u>December 31, 2014</u>		
Foxconn Technology Co., Ltd.	Taiwan	30%	30%	Supplier	Equity method
Zhen Ding Technology Holding Limited	Cayman	38%	41%	Supplier	Equity method
Asia Pacific Telecom Co., Ltd.	Taiwan	20%	15%	Strategic Investment	Equity method
Pan International Industrial Corporation	Taiwan	27%	27%	Supplier	Equity method
General Interface Solution Holding Limited	Cayman	25%	27%	Supplier	Equity method

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



below:

Balance sheet

	<u>Foxconn Technology Co., Ltd.</u>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 102,516,113	\$ 108,418,633
Non-current assets	20,868,772	22,576,945
Current liabilities	( 31,706,661)	( 48,436,013)
Non-current liabilities	( 704,866)	( 503,684)
Total net assets	<u>\$ 90,973,358</u>	<u>\$ 82,055,881</u>
Share in associate's net assets	\$ 26,919,334	\$ 24,362,391
Goodwill	338,190	338,190
Others	( 91,275)	( 794,442)
Carrying amount of the associate	<u>\$ 27,166,249</u>	<u>\$ 23,906,139</u>
	<u>Zhen Ding Technology Holding Limited</u>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 56,823,003	\$ 53,189,719
Non-current assets	34,432,412	32,294,828
Current liabilities	( 39,250,046)	( 39,629,322)
Non-current liabilities	( 9,752,836)	( 13,832,480)
Total net assets	<u>\$ 42,252,533</u>	<u>\$ 32,022,745</u>
Share in associate's net assets	\$ 16,039,062	\$ 13,244,607
Others	346,864	337,942
Carrying amount of the associate	<u>\$ 16,385,926</u>	<u>\$ 13,582,549</u>
	<u>Asia Pacific Telecom Co., Ltd.</u>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 16,748,499	\$ 21,067,120
Non-current assets	28,782,036	21,350,361
Current liabilities	( 4,913,354)	( 5,149,441)
Non-current liabilities	( 448,298)	( 389,171)
Total net assets	<u>\$ 40,168,883</u>	<u>\$ 36,878,869</u>
Share in associate's net assets	\$ 7,881,135	\$ 5,532,498
Other intangible assets	2,346,630	4,003,645
Others	( 431,052)	-
Carrying amount of the associate	<u>\$ 9,796,713</u>	<u>\$ 9,536,143</u>

<u>Pan International Industrial Corporation</u>		
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 13,011,823	\$ 13,049,731
Non-current assets	5,764,112	6,245,940
Current liabilities	( 7,051,025)	( 6,512,442)
Non-current liabilities	( 408,395)	( 831,507)
Total net assets	<u>\$ 11,316,515</u>	<u>\$ 11,951,722</u>
Share in associate's net assets	\$ 3,058,638	\$ 3,168,402
Goodwill	296,404	296,404
Others	( 400,253)	( 448,139)
Carrying amount of the associate	<u>\$ 2,954,789</u>	<u>\$ 3,016,667</u>

<u>General Interface Solution Holding Limited</u>		
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 33,357,097	\$ 22,697,137
Non-current assets	15,677,851	15,959,376
Current liabilities	( 30,153,504)	( 23,302,867)
Non-current liabilities	( 7,411,061)	( 7,928,409)
Total net assets	<u>\$ 11,470,383</u>	<u>\$ 7,425,237</u>
Share in associate's net assets	\$ 2,834,332	\$ 1,985,508
Others	-	( 4,320)
Carrying amount of the associate	<u>\$ 2,834,332</u>	<u>\$ 1,981,188</u>
<u>Statement of comprehensive income</u>		

<u>Foxconn Technology Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2015</u>	<u>2014</u>
Revenue	\$ 99,425,613	\$ 83,895,142
Profit for the year from continuing operations	12,182,417	9,382,287
Other comprehensive (loss) income, net of tax	( 303,125)	4,428,146
Total comprehensive income	<u>\$ 11,879,292</u>	<u>\$ 13,810,433</u>
Dividends received from associates	<u>\$ 1,021,764</u>	<u>\$ 389,243</u>

<u>Zhen Ding Technology Holding Limited</u>		
<u>For the years ended December 31,</u>		
	<u>2015</u>	<u>2014</u>
Revenue	\$ 85,737,736	\$ 75,953,540
Profit for the year from continuing operations	7,730,720	6,734,684
Other comprehensive (loss) income, net of tax	( 548,121)	907,946
Total comprehensive income	<u>\$ 7,182,599</u>	<u>\$ 7,642,630</u>
Dividends received from associates	<u>\$ 1,127,766</u>	<u>\$ 922,684</u>

<u>Asia Pacific Telecom Co., Ltd.</u>		
<u>For the years ended December 31,</u>		
	<u>2015</u>	<u>2014</u>
Revenue	\$ 14,848,518	\$ 16,302,527
Loss for the year from continuing operations	( 1,600,913)	( 8,412,424)
Other comprehensive loss, net of tax	( 24,953)	( 827)
Total comprehensive loss	<u>(\$ 1,625,866)</u>	<u>(\$ 8,413,251)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

<u>Pan International Industrial Corporation</u>		
<u>For the years ended December 31,</u>		
	<u>2015</u>	<u>2014</u>
Revenue	\$ 18,933,935	\$ 17,181,487
Profit for the year from continuing operations	474,884	377,971
Other comprehensive (loss) income, net of tax	( 741,291)	406,698
Total comprehensive (loss) income	<u>(\$ 266,407)</u>	<u>\$ 784,669</u>
Dividends received from associates	<u>\$ 39,228</u>	<u>\$ -</u>

<u>General Interface Solution Holding Limited</u>		
<u>For the years ended December 31,</u>		
	<u>2015</u>	<u>2014</u>
Revenue	\$ 93,678,500	\$ 75,963,195
Profit for the year from continuing operations	2,211,397	1,335,272
Other comprehensive income, net of tax	97,138	272,944
Total comprehensive income	<u>\$ 2,308,535</u>	<u>\$ 1,608,216</u>
Dividends received from associates	<u>\$ 153,000</u>	<u>\$ -</u>

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

As of December 31, 2015 and 2014, the carrying amount of the Group's individually immaterial associates amounted to \$18,496,928 and \$11,389,584, respectively.

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Loss for the year from continuing operations	(\$ 1,170,578)	(\$ 1,959,067)
Loss for the year from discontinued operations	-	117,020
Other comprehensive (loss) income, net of tax	( 384,129)	173,150
Total comprehensive loss	<u>(\$ 1,554,707)</u>	<u>(\$ 1,668,897)</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foxconn Technology Co., Ltd.	\$ 28,730,355	\$ 35,230,414
Zhen Ding Technology Holding Limited	23,155,572	25,741,293
Asia Pacific Telecom Co., Ltd.	9,864,579	10,178,189
Pan International Industrial Corporation	1,821,288	2,757,084
General Interface Solution Holding Limited	8,449,573	-
	<u>\$ 72,021,367</u>	<u>\$ 73,906,980</u>

Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2015</u>							
Cost	\$ 4,235,719	\$ 186,559,953	\$ 304,064,762	\$ 38,852,709	\$ 101,454,212	\$ 18,014,617	\$ 653,181,972
Accumulated depreciation and impairment	-	( 52,487,019)	( 151,356,618)	( 24,032,071)	( 66,437,706)	-	( 294,313,414)
	<u>\$ 4,235,719</u>	<u>\$ 134,072,934</u>	<u>\$ 152,708,144</u>	<u>\$ 14,820,638</u>	<u>\$ 35,016,506</u>	<u>\$ 18,014,617</u>	<u>\$ 358,868,558</u>
<u>2015</u>							
Opening net book amount	\$ 4,235,719	\$ 134,072,934	\$ 152,708,144	\$ 14,820,638	\$ 35,016,506	\$ 18,014,617	\$ 358,868,558
Additions	203,274	14,186,801	7,350,884	3,809,128	9,562,110	20,637,552	55,749,749
Transfer	95,799	3,136,451	3,531,019	2,081,023	1,838,434	( 9,984,098)	698,628
Disposals	( 221)	( 1,009,131)	( 1,356,844)	( 854,618)	( 866,211)	-	( 4,087,025)
Depreciation charge	-	( 10,517,986)	( 40,161,838)	( 5,483,594)	( 14,167,479)	-	( 70,330,897)
Impairment loss and reversal of impairment	-	-	375,464	-	-	( 80,077)	295,387
Net exchange differences	( 170,351)	( 1,737,354)	( 1,569,257)	( 152,828)	( 280,624)	( 545,520)	( 4,455,934)
Closing net book amount	<u>\$ 4,364,220</u>	<u>\$ 138,131,715</u>	<u>\$ 120,877,572</u>	<u>\$ 14,219,749</u>	<u>\$ 31,102,736</u>	<u>\$ 28,042,474</u>	<u>\$ 336,738,466</u>
<u>At December 31, 2015</u>							
Cost	\$ 4,364,220	\$ 197,644,921	\$ 294,481,624	\$ 38,344,911	\$ 105,694,104	\$ 28,042,474	\$ 668,572,254
Accumulated depreciation and impairment	-	( 59,513,206)	( 173,604,052)	( 24,125,162)	( 74,591,368)	-	( 331,833,788)
	<u>\$ 4,364,220</u>	<u>\$ 138,131,715</u>	<u>\$ 120,877,572</u>	<u>\$ 14,219,749</u>	<u>\$ 31,102,736</u>	<u>\$ 28,042,474</u>	<u>\$ 336,738,466</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Others	Construction in progress	Total
<u>At January 1, 2014</u>							
Cost	\$ 4,275,148	\$ 175,137,724	\$ 296,433,194	\$ 36,823,985	\$ 95,517,371	\$ 19,506,426	\$ 627,693,848
Accumulated depreciation and impairment	-	( 41,772,993)	( 127,799,990)	( 18,130,735)	( 60,428,189)	-	( 248,131,907)
	<u>\$ 4,275,148</u>	<u>\$ 133,364,731</u>	<u>\$ 168,633,204</u>	<u>\$ 18,693,250</u>	<u>\$ 35,089,182</u>	<u>\$ 19,506,426</u>	<u>\$ 379,561,941</u>
<u>2014</u>							
Opening net book amount	\$ 4,275,148	\$ 133,364,731	\$ 168,633,204	\$ 18,693,250	\$ 35,089,182	\$ 19,506,426	\$ 379,561,941
Additions	492	1,368,005	11,557,516	879,261	6,210,401	3,957,846	23,973,521
Transfer	79,105	5,355,869	2,667,666	-	670,586	( 8,501,716)	271,510
Disposals	( 22,885)	( 14,686)	( 218,855)	( 6,552)	( 178,106)	-	( 441,084)
Acquired through business combinations	-	-	8,316	-	20,591	-	28,907
Transferred to non-current assets held for sale	-	-	-	-	( 32,363)	( 662,454)	( 694,817)
Depreciation charge	-	( 10,698,373)	( 42,234,700)	( 5,393,545)	( 11,076,265)	-	( 69,402,883)
Impairment loss	-	-	( 1,134,745)	-	-	-	( 1,134,745)
Net exchange differences	( 96,141)	4,697,388	13,429,742	648,224	4,312,480	3,714,515	26,706,208
Closing net book amount	<u>\$ 4,235,719</u>	<u>\$ 134,072,934</u>	<u>\$ 152,708,144</u>	<u>\$ 14,820,638</u>	<u>\$ 35,016,506</u>	<u>\$ 18,014,617</u>	<u>\$ 358,868,558</u>
<u>At December 31, 2014</u>							
Cost	\$ 4,235,719	\$ 186,559,953	\$ 304,064,762	\$ 38,852,709	\$ 101,454,212	\$ 18,014,617	\$ 653,181,972
Accumulated depreciation and impairment	-	( 52,487,019)	( 151,356,618)	( 24,032,071)	( 66,437,706)	-	( 294,313,414)
	<u>\$ 4,235,719</u>	<u>\$ 134,072,934</u>	<u>\$ 152,708,144</u>	<u>\$ 14,820,638</u>	<u>\$ 35,016,506</u>	<u>\$ 18,014,617</u>	<u>\$ 358,868,558</u>

The Company's subsidiaries assessed recoverable amounts of those assets where there is an indication that they are impaired. Reversal of impairment loss of \$295,387 and impairment loss of \$1,134,745 (shown as "other gains and losses") were recognized for the years ended December 31, 2015 and 2014, respectively.

## Investment property

	<u>Land and buildings</u>	
	<u>2015</u>	<u>2014</u>
<u>At January 1</u>		
Cost	\$ 4,810,944	\$ 3,149,232
Accumulated depreciation and impairment	( 1,646,278)	( 844,393)
	<u>\$ 3,164,666</u>	<u>\$ 2,304,839</u>
<u>For the year ended December 31</u>		
Opening net book amount	\$ 3,164,666	\$ 2,304,839
Additions	561,520	1,255,460
Disposals	( 292,735)	( 90,995)
Depreciation charge	( 189,872)	( 205,882)
Impairment loss	( 148,853)	( 147,837)
Net exchange differences	( 80,078)	49,081
Closing net book amount	<u>\$ 3,014,648</u>	<u>\$ 3,164,666</u>
<u>At December 31</u>		
Cost	\$ 4,889,406	\$ 4,810,944
Accumulated depreciation and impairment	( 1,874,758)	( 1,646,278)
	<u>\$ 3,014,648</u>	<u>\$ 3,164,666</u>

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

	<u>For the years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Rental income from the lease of the investment property	<u>\$ 274,356</u>	<u>\$ 270,032</u>
Direct operating expenses arising from the investment property that generated rental income for the year	<u>\$ 189,872</u>	<u>\$ 205,882</u>

B. The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss of \$148,853 and \$147,837 (shown as “other gains or losses”) was recognized for the years ended December 31, 2015 and 2014, respectively.

C. The fair value of the investment property held by the Group as at December 31, 2015 and 2014 was \$3,315,793 and \$3,422,770, respectively, which was revalued by independent appraisers. The valuation is based on latest market price of similar investment property in the same area and condition which is categorised within Level 3 in the fair value hierarchy.

## Intangible assets

<u>At January 1, 2015</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Total</u>	
Cost	\$ 820,816	\$ 4,282,987	\$ 236,031	\$ 5,339,834	
Accumulated amortization and impairment	-	( 899,690)	( 53)	( 899,743)	
	<u>\$ 820,816</u>	<u>\$ 3,383,297</u>	<u>\$ 235,978</u>	<u>\$ 4,440,091</u>	
<u>2015</u>					
Opening net book amount	\$ 820,816	\$ 3,383,297	\$ 235,978	\$ 4,440,091	
Acquired through business combinations	12,331	-	-	12,331	
Additions	-	40,610	16,000	56,610	
Amortization charge	-	( 482,779)	( 24,787)	( 507,566)	
Changes in consolidated entities	( 215,430)	( 414,875)	( 212,361)	( 842,666)	
Net exchange differences	<u>11,573</u>	<u>83,461</u>	<u>3</u>	<u>95,037</u>	
Closing net book amount	<u>\$ 629,290</u>	<u>\$ 2,609,714</u>	<u>\$ 14,833</u>	<u>\$ 3,253,837</u>	
<u>At December 31, 2015</u>					
Cost	\$ 629,290	\$ 4,005,095	\$ 16,000	\$ 4,650,385	
Accumulated amortization and impairment	-	( 1,395,381)	( 1,167)	( 1,396,548)	
	<u>\$ 629,290</u>	<u>\$ 2,609,714</u>	<u>\$ 14,833</u>	<u>\$ 3,253,837</u>	
	<u>Concession License</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Total</u>
<u>At January 1, 2014</u>					
Cost	\$ 9,180,000	\$ 519,385	\$ 3,539,938	\$ -	\$ 13,239,323
Accumulated amortization and impairment	-	-	( 424,045)	-	( 424,045)
	<u>\$ 9,180,000</u>	<u>\$ 519,385</u>	<u>\$ 3,115,893</u>	<u>\$ -</u>	<u>\$ 12,815,278</u>
<u>2014</u>					
Opening net book amount	\$ 9,180,000	\$ 519,385	\$ 3,115,893	\$ -	\$ 12,815,278
Acquired through business combinations	-	215,375	461,011	235,982	912,368
Additions	-	68,180	60,420	-	128,600
Amortization charge	-	-	( 430,215)	( 2)	( 430,217)
Transferred to non-current assets held for sale	( 9,180,000)	( 86)	-	-	( 9,180,086)
Net exchange differences	-	<u>17,962</u>	<u>176,188</u>	<u>( 2)</u>	<u>194,148</u>
Closing net book amount	<u>\$ -</u>	<u>\$ 820,816</u>	<u>\$ 3,383,297</u>	<u>\$ 235,978</u>	<u>\$ 4,440,091</u>
<u>At December 31, 2014</u>					
Cost	\$ -	\$ 820,816	\$ 4,282,987	\$ 236,031	\$ 5,339,834
Accumulated amortization and impairment	-	-	( 899,690)	( 53)	( 899,743)
	<u>\$ -</u>	<u>\$ 820,816</u>	<u>\$ 3,383,297</u>	<u>\$ 235,978</u>	<u>\$ 4,440,091</u>

A. Goodwill arose mainly from the acquisition of Scientific-Atlanta de Mexico S. de R.L. de C.V. in 2011 which was accounted for using the acquisition method.

B. Patents refer to the panel patents obtained from NEC in September, 2012.



C. Ambit, a subsidiary of the Company, has received the approval of 4G mobile broadband spectrum by the authority on October 30, 2013. The subsidiary won the bid of frequency band A3 and B3. The bid amounting to \$9,180,000 has been paid to the National Communications Commission. On June 18, 2014, the Board of Directors of Ambit has resolved the merger with APT. On September 25, 2014, the Board of Directors has resolved to dispose 5MHz spectrum and to sell the use right of 728~733 MHz (upstream frequency band) and 783~788 MHz (downstream frequency band) of frequency band A3 of 700MHz to Taiwan Mobile Co., Ltd. The Group has reclassified the above concession as non-current assets held for sale. Please refer to Note 6(7) for details.

D. The details of amortization are as follows:

	For the years ended December 31,	
	2015	2014
Operating costs	\$ 507,566	\$ 430,217

Other non-current assets

	December 31, 2015	December 31, 2014
Long-term prepaid rent	\$ 18,650,335	\$ 18,959,706
Prepayments for equipment	343,502	728,900
Other financial assets - non-current	53,877	30,500
Others	4,295,448	4,727,416
	\$ 23,343,162	\$ 24,446,522

Long-term prepaid rent refers to the land use rights obtained in China. Upon signing of the lease, the amount has been paid in full. The Group recognized rental expense of \$418,661 and \$398,750 for the years ended December 31, 2015 and 2014, respectively.

Short-term notes and bills payable

	December 31, 2015	December 31, 2014
Commercial paper	\$ 7,000,000	\$ -
Interest rates per annum	0.502%~0.512%	-

Short-term loans

Type of loans	December 31, 2015	Interest rate range	Collateral
Bank loans			
Credit loans	\$ 69,945,028	0.45%~4.14%	None
Secured loans	288,181	3.92%	Time deposits
	\$ 70,233,209		
Type of loans	December 31, 2014	Interest rate range	Collateral
Bank loans			
Credit loans	\$ 226,500,507	0.562%~5.04%	None

- A. As of December 31, 2015 and 2014, the Company provided guarantees on the short-term credit facilities obtained by Foxconn Slovakia, SPOL S.R.O., a subsidiary of the Company, in the amount of EUR 331 million and EUR 291 million, respectively.
- B. As of December 31, 2015 and 2014, the Company provided guarantees on the short-term credit facilities obtained by Competition Team Technologies Limited, a subsidiary of the Company, totaling RMB 2 billion.
- C. As of December 31, 2015 and 2014, the Company provided guarantees on the short-term credit facilities obtained by Falcon Precision Trading Limited, a subsidiary of the Company, in the amount of RMB 1.9 billion and RMB 2 billion, respectively.
- D. As of December 31, 2015 and 2014, the Company provided guarantees on the short-term credit facilities obtained by Competition Team Ireland Limited, a subsidiary of the Company, in the amount of USD 0 and USD 250 million, respectively.
- E. As of December 31, 2015 and 2014, the Company provided guarantees on the short-term credit facilities obtained by Fusing International Inc., a subsidiary of the Company, totaling USD 145 million.
- F. The Group has signed an agreement to offset financial assets and liabilities with financial institutions since 2013. The agreement meets the offsetting criteria of IAS 32, whereby the financial assets and liabilities are offset and reported in the net amount in the balance sheet. Details of the offset ss of December 31, 2015 and 2014 are as follows:

December 31, 2015			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	\$ 999,678,949	\$ 999,678,949	\$ -
Financial products and loans	28,711,888	28,711,888	-
	<u>\$ 1,028,390,837</u>	<u>\$ 1,028,390,837</u>	<u>\$ -</u>
December 31, 2014			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	\$ 532,606,674	\$ 532,606,674	\$ -

Other payables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Awards and salaries payable	\$ 53,459,521	\$ 57,207,188
Royalty fees payable	37,894,494	36,321,703
Payables for equipment	18,109,912	33,614,650
Consumption goods expense payable (including indirect materials)	16,534,615	30,927,610
Accrued interest payable	6,828,336	2,653,833
Employees' bonuses payable	10,598,195	9,398,501
Tax payable	5,302,918	5,191,529
Others	48,296,442	48,260,505
	<u>\$ 197,024,433</u>	<u>\$ 223,575,519</u>

Other current liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receipts in advance of payments for equipment on behalf of others	\$ 30,964,845	\$ 33,030,873
Receipts in advance	16,353,276	10,708,398
Deferred income	5,429,313	4,179,062
Bonds payable maturing within one year	24,714,847	16,500,000
Long-term loans maturing within one year	20,955,283	11,773,239
Others	3,887,451	3,313,393
	<u>\$ 102,305,015</u>	<u>\$ 79,504,965</u>

Bonds payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Corporate bonds payable	138,300,000	113,000,000
Foreign unsecured corporate bonds JPY-denominated	13,896,939	13,558,860
Foreign unsecured corporate bonds EUR-denominated	8,969,977	-
Foreign unsecured corporate bonds RMB-denominated	4,044,656	4,081,584
Foreign unsecured corporate bonds USD-denominated	21,339,500	20,572,500
Less: Discount on bonds payable	( 46,971)	( 68,531)
Total	186,504,101	151,144,413
Less: Current portion (shown as "other current liabilities")	( 24,714,847)	( 16,500,000)
	<u>\$ 161,789,254</u>	<u>\$ 134,644,413</u>

A. First unsecured corporate bonds issue in 2005

On September 14, 2005, following the approval from the Securities and Futures Bureau (the “SFB”), the Company issued domestic unsecured bonds in the amount of \$11,500,000. The unsecured bonds have matured and had been fully paid in September 2015.

B. First debenture issue of 2010

On December 17, 2010, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The unsecured bonds have matured and been fully paid in December 2015.

C. First debenture issue of 2011

(a) On January 7, 2011, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
March 2011	5 years	\$ 6,000,000	1.47%	Pay half of principal each in the fourth and fifth year. Interest is paid annually at simple interest rate.

(b) As of December 31, 2015, in accordance with the conditions of the contractual arrangement, the Company has repaid \$3,000,000, and the remaining balance of \$3,000,000 was transferred to current liabilities in the first quarter of 2015.

D. Second debenture issue of 2011

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

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

(b) Payable of second unsecured corporate bonds issued in 2011 had been reclassified to “Current liabilities” in the second quarter of 2015 in accordance with the conditions of the contractual arrangement.

E. Third debenture issue of 2011

(a) On July 6, 2011, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$4,950,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
July 2011	5 years	\$ 4,950,000	1.51%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) Payable of third unsecured corporate bonds issued in 2011 had been reclassified to “Current liabilities” in the third quarter of 2015 in accordance with the conditions of the contractual arrangement.

F. First debenture issue of 2012

On December 28, 2011, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
March 2012	5 years	\$ 9,000,000	1.34%	Principal is due at maturity. Interest is paid annually at simple interest rate.

G. Second debenture issue of 2012

On May 11, 2012, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
May 2012	5 years	\$ 6,000,000	1.43%	Principal is due at maturity. Interest is paid annually at simple interest rate.

H. Third debenture issue of 2012

On July 27, 2012, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$8,000,000. The unsecured bonds have matured and been fully paid on August 6, 2015.

I. Fourth debenture issue of 2012

On September 28, 2012, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$3,300,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
October 2012	5 years	\$ 3,300,000	1.35%	Principal is due at maturity. Interest is paid annually at simple interest rate.

J. First debenture issue of 2013

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

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

K. Second debenture issue of 2013

(a) On May 6, 2013, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,950,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
October 2013	3 years	\$ 6,950,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) Payable of second unsecured corporate bonds issued in 2013 had been reclassified to "Current liabilities" in the fourth quarter of 2015 in accordance with the conditions of the contractual arrangement.

L. Third debenture issue of 2013

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

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

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

(b) Payable of third unsecured corporate bonds issued in 2013 had been reclassified to “Current liabilities” in the fourth quarter of 2015 in accordance with the conditions of the contractual arrangement.

#### M. First debenture issue of 2014

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

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

#### N. Second debenture issue of 2014

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

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond A	May 2014	3 years	\$ 2,850,000	1.17%	Principal is due at maturity. Interest is paid annually at simple interest rate.

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

O. Third debenture issue of 2014

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

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

P. Fourth debenture issue of 2014

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

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	October 2014	3.5 years	\$ 2,200,000	1.25%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	October 2014	5 years	\$ 1,400,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	October 2014	7 years	\$ 3,200,000	1.80%	Principal is due at maturity. Interest is paid annually at simple interest rate.



<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond D	October 2014	10 years	\$ 2,200,000	2.02%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	October 2014	12 years	\$ 200,000	2.15%	Principal is due at maturity. Interest is paid annually at simple interest rate.

Q. Fifth debenture issue of 2014

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

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

R. First debenture issue of 2015

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

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

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond E	April 2015	7 years	\$ 1,000,000	1.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.

S. Second debenture issue of 2015

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

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond A	June 2015	3 years	\$ 2,600,000	1.18%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	June 2015	3.5 years	\$ 600,000	1.23%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	June 2015	4 years	\$ 400,000	1.30%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	June 2015	5 years	\$ 2,200,000	1.39%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	June 2015	6 years	\$ 400,000	1.55%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	June 2015	7 years	\$ 2,300,000	1.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	June 2015	10 years	\$ 500,000	1.90%	Principal is due at maturity. Interest is paid annually at simple interest rate.

T. Third debenture issue of 2015

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

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond A	September 2015	2 years	\$ 1,400,000	0.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.

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

U. Fourth debenture issue of 2015

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

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	November 2015	2 years	\$ 1,100,000	0.92%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	November 2015	3 years	\$ 1,500,000	1.00%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	November 2015	4 years	\$ 700,000	1.09%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	November 2015	5 years	\$ 3,900,000	1.20%	Principal is due at maturity. Interest is paid annually at simple interest rate.

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond E	November 2015	6 years	\$ 100,000	1.28%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	November 2015	7 years	\$ 1,400,000	1.40%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	November 2015	10 years	\$ 100,000	1.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond H	November 2015	12 years	\$ 200,000	1.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.

V. Foreign unsecured corporate bonds USD-denominated

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

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

W. Foreign unsecured corporate bonds JPY-denominated

i. On March 21, 2013, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 10 billion, and the Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
March 2013	3 years	JPY 10 billion	1.28%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

ii. Foreign unsecured corporate bonds JPY-denominated issued in 2013 was transferred to current liabilities in the first quarter of 2015 in accordance with the conditions of the contractual arrangement.

X. Foreign unsecured corporate bonds JPY-denominated

i. On March 21, 2013, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 4 billion. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
March 2013	3 years	JPY 4 billion	Floating rate of 3-month LIBOR plus 1.10%	Principal is due at maturity. Interest is paid quarterly at simple interest rate.

ii. Foreign unsecured corporate bonds JPY-denominated issued in 2013 was transferred to current liabilities in the first quarter of 2015 in accordance with the conditions of the contractual arrangement.

Y. Foreign unsecured corporate bonds JPY-denominated

On May 9, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 2 billion. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
May 2014	3 years	JPY 2 billion	0.95%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

Z. Foreign unsecured corporate bonds RMB-denominated

On May 23, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of RMB 800 million. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
May 2013	3 years	RMB 800 million	3.25%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

AA. Foreign unsecured corporate bonds JPY-denominated

On August 15, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 30 billion. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
August 2014	3 years	JPY 30 billion	0.87%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

BB. Foreign unsecured corporate bonds JPY-denominated

On September 18, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 5 billion. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
August 2014	3 years	JPY 5 billion	0.87%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

CC. Foreign unsecured corporate bonds EUR-denominated

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

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
February 2015	3 years	EUR 200 million	1.076%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

DD. Foreign unsecured corporate bonds EUR-denominated

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

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

## Long-term loans

<u>Institution</u>	<u>Loan period</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2015</u>
Mizuho Corporate Bank Ltd., etc. syndicated loan	2013/8/22~2016/8/22	1.2550%	None	\$ 16,415,000
"	2011/3/31~2016/3/31	0.6840%	"	2,897,438
ING Bank, N.V. etc. syndicated loan	2015/11/30~2020/11/30	0.4800%	"	5,382,000
Mizuho Corporate Bank Ltd., etc. syndicated loan	2012/6/28~2017/6/28	0.9780%	"	2,248,188
First Commercial Bank	2011/11/30~2026/11/30	1.9767%	Note	2,500,000
ING Bank, N.V. etc. syndicated loan	2013/1/7~2020/7/29	1.7900%	None	701,690
First Commercial Bank	2013/9/6~2033/9/6	1.9767%	"	642,500
First Commercial Bank	2015/4/9~2022/4/9	2.1776%	"	361,000
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~2028/4/15	2.2000%	Note	28,642
				31,176,458
Less: Current portion				( 20,955,283)
				\$ 10,221,175

<u>Institution</u>	<u>Loan period</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Mizuho Corporate Bank Ltd., etc. syndicated loan	2011/3/31~2016/3/31	0.6977%	None	\$ 8,434,125
"	2013/8/22~2016/8/22	1.1600%	"	15,825,000
ING Bank, N.V. etc. syndicated loan	2010/10/22~2015/10/22	0.5390%	"	4,231,700
First Commercial Bank	2011/11/30~2026/11/30	2.0507%	Note	2,383,000
Mizuho Corporate Bank Ltd., etc. syndicated loan	2012/6/28~2017/6/28	1.0300%	None	2,884,671
Citibank	2012/9/21~2015/7/31	1.1971%	"	1,061,451
ING Bank, N.V. etc. syndicated loan	2013/1/7~2020/7/29	1.7900%	"	817,019
First Commercial Bank	2013/9/6~2033/9/6	1.7865%	"	334,000
				35,970,966
Less: Current portion				( 11,773,239)
				\$ 24,197,727

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

A. The Company entered into a comprehensive credit contract with China Development Industrial Bank on August 3, 2011, and obtained a credit line in the amount of \$2 billion. As of

December 31, 2014, the entire loan had been repaid.

- B. Foxconn (Far East) Limited, a subsidiary of the Company, entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. as the lead bank on June 18, 2013 and obtained a credit line in the amount of USD 500 million, with the Company as the guarantor of the loan. The amount of USD 500 million, which will due within one year, has been reclassified to “Current liabilities” in the fourth quarter of 2015.
- C. On March 21, 2011, the Company entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. as the lead bank and obtained a credit line in the amount of JPY 51 billion. The partial amount of JPY 10,625 million had been extended until March 31, 2016. The amount of JPY 10,625 million, which will due within one year, has been reclassified to “Current liabilities” in the first quarter of 2015.
- D. Foxconn Slovakia, SPOL. S R. O., a subsidiary of the Company, entered into a syndicated credit facility agreement with ING Bank N.V. as the lead bank and obtained a credit line in the amount of EUR 410 million, of which EUR 35 million had been due for settlement and EUR 265 million had been repaid in advance. The subsidiary has extended the duration of agreement to November 30, 2020 in the fourth quarter of 2015. The credit line is EUR 150 million, with the Company as the guarantor of the loan. As of December 31, 2015, the credit line is EUR 150 million. The Company has reclassified the full amount to “Current liabilities” in the first quarter of 2015.
- E. Honfujin Precision Electronics (Chengdu) Limited, a subsidiary of the Company, entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. and Sumitomo Mitsui Banking Corporation on June 11, 2012, and obtained a credit line in the amount of JPY 11 billion. The contract was extended to June 28, 2017 and the loan is payable in installments during the remaining contract period. The amount to be repaid within one year is JPY5,500 million and is reclassified to current liabilities in the third quarter of 2015. The Company is the guarantor of the loan.
- F. On April 18, 2011, the subsidiary, Syntrend Creative Park Co. Ltd., has signed the facility agreement with First Commercial Bank for the borrowing limit of \$2.5 billion.
- G. On December 7, 2012, the Company entered into a comprehensive credit facility agreement with ING Bank, N.V. as the lead bank and the loan amount is JPY 2,573,122 thousand, which will be repaid by installment over the contract period. The amount of JPY 514,626 thousand, which will due within one year, has been reclassified to “Current liabilities” in the first quarter of 2015.
- H. On October 19, 2012, the subsidiaries, Altus Technology Inc., Ingrasys Technology Co., Ltd. and Dynamic Computing Technology Co., Ltd., have signed the facility agreements with First Commercial Bank for a total borrowing limit of \$1,390,000. The limit has been transferred to Altus Technology Inc. in the second quarter of 2015.
- I. On March 23, 2015, the subsidiary, Syntrend Creative Park Co. Ltd., has signed the facility



agreement with First Commercial Bank for the borrowing limit of \$600 thousand.

- J. On June 17, 2013, the subsidiary, Synergy Integration Technology, Inc., has signed the facility agreement with The Shanghai Commercial & Savings Bank, Ltd. for the borrowing limit of \$32 thousand. The amount of \$3,357 has matured and been repaid. The amount of \$3,715 that the subsidiary shall repay within one year was reclassified as current liabilities in the fourth quarter of 2015.
- K. Honfujin Precision Electronics (Chengdu) Limited, a subsidiary of the Company, entered into a U.S. dollar regular loan commitment agreement with Citibank (China) Ltd. on September 21, 2012, and obtained a credit line in the amount of USD 50 million, of which USD 12 million had been repaid in advance and USD 8 million had been due for settlement. The amount of USD 30 million, which will due within one year, has been repaid in advance.
- L. Throughout the term of Mizuho Corporate Bank Ltd. and ING Bank, N.V. etc. syndicated term loan agreement, the Group shall maintain the agreed financial ratios, to be tested semi-annually and annually on consolidated basis.

#### Pensions

##### A. Defined benefit plans

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ 2,401,073	\$ 2,240,746
Fair value of plan assets	( 631,567)	( 646,426)
Net defined benefit liability	<u>\$ 1,769,506</u>	<u>\$ 1,594,320</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	\$ 2,240,746	\$ 646,426	\$ 1,594,320
Current service cost	25,618	-	25,618
Interest income	-	12,928	( 12,928)
Interest expense	44,815	-	44,815
	<u>2,311,179</u>	<u>659,354</u>	<u>1,651,825</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,326	( 4,326)
Change in financial assumptions	104,580	-	104,580
Experience adjustments	54,320	-	54,320
	<u>158,900</u>	<u>4,326</u>	<u>154,574</u>
Pension fund contribution	-	36,893	( 36,893)
Paid pension	( 69,006)	( 69,006)	-
Balance at December 31	<u>\$ 2,401,073</u>	<u>\$ 631,567</u>	<u>\$ 1,769,506</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2014</u>			
Balance at January 1	\$ 2,171,528	\$ 632,662	\$ 1,538,866
Current service cost	23,594	-	23,594
Interest income	-	12,654	( 12,654)
Interest expense	43,431	-	43,431
	<u>2,238,553</u>	<u>645,316</u>	<u>1,593,237</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,530	( 2,530)
Experience adjustments	42,314	-	42,314
	<u>42,314</u>	<u>2,530</u>	<u>39,784</u>
Pension fund contribution	-	38,701	( 38,701)
Paid pension	( 40,121)	( 40,121)	-
Balance at December 31	<u>\$ 2,240,746</u>	<u>\$ 646,426</u>	<u>\$ 1,594,320</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plans in accordance with the Fund's annual

investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.7%	2.00%
Future salary increases	3.50%	3.50%

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

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

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 326,664)	\$ 395,790	\$ 358,032	(\$ 304,634)
<u>December 31, 2014</u>				
Effect on present value of defined benefit obligation	(\$ 313,307)	\$ 381,419	\$ 346,865	(\$ 293,600)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 are \$36,899.

(g) As of December 31, 2015, the weighted average duration of that retirement plan is 16 years.

## B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries in mainland China have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees’ monthly salaries and wages to an independent fund administered by a government agency. The plan is administered by the government of mainland China. Other than the monthly contributions, the Group does not have further pension liabilities.
- (c) As of December 31, 2015 and 2014, the subsidiaries which participated in defined contribution pension plans recognized reserve according to the respective local laws for retirement plan in the amount of \$67,999 and \$56,418, respectively. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were \$22,403,876 and \$20,860,726, respectively.

### Share-based payment

As of December 31, 2015 and 2014, the share-based payment transactions of the Company and FIH Mobile Limited, a subsidiary of the Company, are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	July 8, 2011	256,159,719	1~3 years	Note (1)
Other share-based payment plans	December 29, 2006	5,748,145	-	Note (2)(12)
"	July 24, 2007	502,090	-	Note (3)(12)
"	December 28, 2007	20,459,322	-	Note (4)(12)
"	October 29, 2009	26,161,489	-	Note (12)
"	April 27, 2010	9,435,264	-	"
"	November 19, 2010	25,616,428	-	"
"	December 29, 2010	35,573,029	-	"
"	April 29, 2011	3,302,725	-	"
"	July 8, 2011	5,138,266	-	"
"	October 18, 2011	21,948,624	-	"
"	December 29, 2011	62,423,773	-	Note (5)(12)
"	December 28, 2012	135,564,990	-	Note (6)(12)
"	April 22, 2013	10,633,361	-	Note (7)(12)
"	October 17, 2013	92,215,205	-	Note (8)(12)
"	May 8, 2014	138,267,922	-	Note (9)

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Other share-based payment plans	July 3, 2014	10,900,786	-	Note (10)(12)
"	August 19, 2015	114,717,017	-	Note (11)(12)
Employee restricted shares plans	May 28, 2015	355,000,000	3 years	Note (13)

Note 1: Vested upon completion of service for certain periods.

Note 2: Of the shares granted, 2,737,718 shares cannot be sold within 1 to 3 years from the grant date.

Note 3: Of the shares granted, 407,000 shares cannot be sold within 1 to 2 years from the grant date.

Note 4: Of the shares granted, 20,362,078 shares cannot be sold within 1 to 3 years from the grant date.

Note 5: Of the shares granted, 13,939,379 shares cannot be sold within 1 to 2 years from the grant date.

Note 6: Of the shares granted, 14,934,766 shares cannot be sold within 1 to 2 years from the grant date.

Note 7: Of the shares granted, 6,210,640 shares cannot be sold within 1 to 2 years from the grant date.

Note 8: Of the shares granted, 33,957,285 shares cannot be sold within 1 to 2 years from the grant date.

Note 9: Of the shares granted, 138,267,922 shares cannot be sold within 1 to 3 years from the grant date.

Note 10: Of the shares granted, 10,712,895 shares cannot be sold within 1 year from the grant date.

Note 11: Of the shares granted, 108,541,274 shares cannot be sold within 1 year from the grant date.

Note 12: Vested immediately.

Note 13: Employees do not need to pay to acquire those stocks. Issuance of shares is based on employees' service periods (1 to 3 years). Shares are vested in accordance with the amount of employees' shares at 40%, 30% and 30% in each year over the 3-year period. The following vesting conditions must be met:

- A. The Company's average operating performance is greater than competitors' average earnings per share and return on assets for the 3 years prior to the lock-up period of restricted stocks;
- B. Employees' performance has reached the Company's performance standard.
- C. For restricted stocks where employees do not meet the vesting condition, the Company will collect all the stocks at no consideration.

A. Employee stock options

For the stock options granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The parameters used in the estimation of the fair value are as follows:

<u>Grant date</u>	<u>Stock price (HK\$)</u>	<u>Exercise price (HK\$)</u>	<u>Exercise price volatility</u>	<u>Expected dividend yield rate</u>	<u>Risk-free interest rate</u>	<u>Fair value per share (US\$)</u>
July 8, 2011	\$ 3.62	\$ 3.62	37%	-	0.297%~0.667%	\$ 0.11

(a) The plan of employee stock options was expired in 2014. For the year ended December 31, 2014, the weighted-average exercise price of employee stock options outstanding was US\$0.57 (in dollars) per share. For the year ended December 31, 2014, expenses incurred on employee stock options transactions was \$285 (US\$9.4 thousand).

(b) Details of the employee stock options are set forth below:

	<u>For the year ended December 31, 2014</u>
Options outstanding at beginning of year	157,670,091
Options exercised	( 77,022,839)
Options revoked	( 80,647,252)
Options outstanding at end of year	<u>-</u>
Options exercisable at end of year	<u>-</u>

B. Other share-based payment plans

These share-based payments were granted to employees without consideration received. For the years ended December 31, 2015 and 2014, expenses incurred on other share-based payments were \$1,197,663 (US\$37,733 thousand) and \$2,330,354 (US\$76,884 thousand), respectively.

C. Restricted stocks to employees

(a) Movements in the number of the Company's restricted stocks to employees is as follows:

	<u>For the year ended December 31, 2015 (Shares in thousands)</u>
Restricted shares outstanding at beginning of year	-
Issuance of restricted stock	355,000
Restricted stock revoked due to employees not meeting the vesting condition	( 355,000)
Restricted shares outstanding at end of year	<u>-</u>

(b) As of December 31, 2015, the Company collected 355 million shares of restricted stocks to employees not meeting the vesting condition, in accordance with the terms of restricted stocks. The capital reduction is effective on November 16, 2015.

### Other non-current liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Reserve for retirement pension	\$ 1,837,505	\$ 1,650,738
Government grants	4,409,847	3,961,070
Finance lease payable	3,042,986	2,948,552
Others	905,014	944,133
	<u>\$ 10,195,352</u>	<u>\$ 9,504,493</u>

### Provisions

	<u>Warranty</u>
At January 1, 2015	\$ 2,674,879
Additional provisions	934,996
Used during the year	( 355,905)
Unused amounts reversed	( 924,251)
Exchange differences	3,163
At December 31, 2015	<u>\$ 2,332,882</u>

Analysis of total provisions:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current	\$ 2,332,882	\$ 2,674,879

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

### Share capital—common stock

A. On June 26, 2013, the Company's shareholders adopted a resolution to increase the authorized shares to 18 billion shares. As of December 31, 2015, the Company's authorized capital was \$180,000,000, consisting of 18 billion shares of ordinary stock, and the paid-in capital was \$156,382,881, consisting of 15,638,288 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>(Shares in thousands)</u>	<u>(Shares in thousands)</u>
At January 1	14,793,407	13,128,707
Stock dividends	739,670	1,575,445
Employees' stock bonus	105,211	89,255
Issuance of restricted stock	355,000	-
Restricted stock revoked due to employees not meeting the vesting condition	<u>( 355,000)</u>	<u>-</u>
At December 31	<u>15,638,288</u>	<u>14,793,407</u>

B. Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository

receipts (GDRs) in Europe, Asia and the USA. The issuance amounted to USD 347,250 thousand, and the main terms and conditions of the GDRs are as follows:

(a) Voting

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

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

(b) Sale and withdrawal of GDRs

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

(c) Dividends

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

(d) As of December 31, 2015, 138,593 thousand units of GDRs were outstanding, which represents 277,187 thousand shares of common stock.

C. On May 28, 2015, the Company's Board of Directors has resolved to issue restricted stocks of 355 million shares at the approval of the shareholders, and has set May 28, 2015 as the record date of capital increase. The issued ordinary shares restrict the transfer rights, voting rights at the shareholders' meetings, and rights to receive (subscribe) shares and dividends before the employees meet the vesting conditions. As of September 30, 2015, the Company collected 355 million shares of restricted stocks to employees not meeting the vesting condition, in accordance with the terms of restricted stocks. The capital reduction is effective on November 16, 2015.

D. Treasury stocks

The Company's subsidiary, Hon Jin International Investment Co., Ltd., acquired ordinary shares issued by the Company in 1998. As of December 31, 2015 and 2014, the subsidiary owned 1,685,317 and 1,605,064 shares, respectively, of the Company's common stock at a cost of \$18,901.

Capital surplus

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



paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Employee restricted shares	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1, 2015	\$ 70,822,659	\$ -	\$ 1,589	\$ 835,660	\$ 71,659,908
Employees' stock bonus	8,346,391	-	-	-	8,346,391
Employee restricted shares	-	17,831,955	-	-	17,831,955
Restricted stock revoked due to employees not meeting the vesting condition	-	( 17,831,955)	-	-	( 17,831,955)
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	( 1,589)	-	( 1,589)
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	-	1,731,828	1,731,828
At December 31, 2015	<u>\$ 79,169,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,567,488</u>	<u>\$ 81,736,538</u>

	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1, 2014	\$ 64,033,016	\$ 52,165	\$ 707,692	\$ 64,792,873
Employees' stock bonus	6,789,643	-	-	6,789,643
Adjustments arising from changes in percentage of ownership in subsidiaries	-	( 50,576)	-	( 50,576)
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	127,968	127,968
At December 31, 2014	<u>\$ 70,822,659</u>	<u>\$ 1,589</u>	<u>\$ 835,660</u>	<u>\$ 71,659,908</u>

### 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 requirement;
- (d) The remainder is distributable earnings of which 8% is appropriated as employees' bonus; qualified employees include employees of affiliates per criteria set by Board of Directors.

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

shareholders.

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of 2014 and 2013 earnings had been resolved at the stockholders' meeting on June 25, 2015 and June 25, 2014, respectively. Details are summarized below:

	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 13,053,473	\$ -	\$ 10,669,716	\$ -
Stock dividends	7,396,703	0.5	15,754,448	1.2
Cash dividends	56,214,946	3.8	23,631,672	1.8
	<u>\$ 76,665,122</u>	<u>\$ 4.3</u>	<u>\$ 50,055,836</u>	<u>\$ 3.0</u>

As of March 30, 2016, the distribution of 2015 earnings had not been approved by the board of directors. The information on distribution of earnings will be posted on the "Market Observation Post System" of the TSEC.

- E. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(34).

### Other equity items

	Currency translation adjustments	Available-for-sale investment	Unearned employee benefits	Total
At January 1, 2015	\$ 59,610,235	\$ 23,986,945	\$ -	\$ 83,597,180
- Group	( 6,852,147)	( 16,141,335)	-	( 22,993,482)
- Associates	176,200	( 658,217)	-	( 482,017)
Employee restricted shares	-	-	( 21,381,955)	( 21,381,955)
Restricted stock revoked due to employees not meeting the vesting condition	-	-	21,381,955	21,381,955
At December 31, 2015	<u>\$ 52,934,288</u>	<u>\$ 7,187,393</u>	<u>\$ -</u>	<u>\$ 60,121,681</u>

	Currency translation adjustments	Available-for-sale investment	Total
At January 1, 2014	\$ 26,432,947	\$ 5,295,914	\$ 31,728,861
- Group	32,918,490	18,343,813	51,262,303
- Associates	258,798	347,218	606,016
At December 31, 2014	<u>\$ 59,610,235</u>	<u>\$ 23,986,945</u>	<u>\$ 83,597,180</u>

### Non-controlling interests

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
At January 1	\$ 54,445,569	\$ 41,254,536
Share attributable to non-controlling interests:		
Gain for the year	3,334,439	1,947,093
Currency translation difference	( 5,442,046)	3,658,489
Unrealized gains and losses on available-for-sale financial assets	( 26,991)	75,709
Acquired through business combinations	-	1,484,930
Increase in non-controlling interests	450,270	6,024,812
At December 31	<u>\$ 52,761,241</u>	<u>\$ 54,445,569</u>

Certain subsidiaries of the Group have issued employee share-based payment and new shares during 2015 and 2014. The Group has not purchased additional shares in proportion to its ownership and thus, the non-controlling interest of the Group increased by \$450,270 and \$6,024,812, and equity attributable to owners of the parent decreased by \$779,960 and \$974,889 for the years ended December 31, 2015 and 2014, respectively.

### Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
3C products (Contain components and related electronic products)	<u>\$ 4,482,145,967</u>	<u>\$ 4,213,172,321</u>

### Other income

	For the years ended December 31,	
	2015	2014
Rental revenue	\$ 1,064,501	\$ 762,889
Dividend income	895,708	676,006
Interest income	26,024,974	26,053,459
Other non-operating income	5,142,867	4,380,212
	<u>\$ 33,128,050</u>	<u>\$ 31,872,566</u>

### Other gains and losses

	For the years ended December 31,	
	2015	2014
Net gain on financial assets at fair value through profit or loss	\$ 11,875,460	\$ 6,646,398
Net loss on financial liabilities at fair value through profit or loss	( 15,677,154)	( 4,272,335)
Net currency exchange gain	18,047,098	6,907,888
Gain on disposal of property, plant and equipment	631,716	565,745
Gain on disposal of investment	4,624,214	3,010,171
Impairment loss	( 2,595,631)	( 1,706,217)
Other losses	( 1,301,812)	( 68,193)
	<u>\$ 15,603,891</u>	<u>\$ 11,083,457</u>

### Expenses by nature

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

	For the years ended December 31,	
	2015	2014
Royalty expenses	\$ 82,191,509	\$ 66,992,990
Product warranty costs	42,786,962	49,969,793
Employee benefit expense	335,682,247	323,731,213
Depreciation	70,330,897	69,402,883
Amortisation	926,227	828,967
	<u>\$ 531,917,842</u>	<u>\$ 510,925,846</u>

### Employee benefit expense

	For the years ended December 31,	
	2015	2014
Wages and salaries	\$ 280,209,166	\$ 269,692,140
Share-based payment	1,197,663	2,330,639
Labor and health insurance fees	13,712,529	12,919,588
Pension costs	22,461,381	20,915,097
Other personnel expenses	18,101,508	17,873,749
	<u>\$ 335,682,247</u>	<u>\$ 323,731,213</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors that account for 8% and 0%, respectively, of the total distributed amount. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on March 30, 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 5% to 7% for employees' compensation and shall be 0% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$10,598,195 and \$9,398,501, respectively; while no directors' and supervisors' remuneration was accrued. The aforementioned amounts were recognized in salary expenses. The expenses recognised for 2015 were estimated and accrued based on 6% of profit of current year; the expenses recognised for 2014 were accrued based on the net income for 2014 and the percentage specified in the Articles of Incorporation of the Company (estimated and accrued based on 8%), taking into account other factors such as legal reserve. The employees' compensation for 2015 as resolved by the board of directors was in agreement with those amounts recognised in the 2015 financial statements. The employees' compensation was \$10,598,195 and will be distributed in the form of shares. Calculation basis of the shares is based on share price of \$83.7 (in dollars), which takes into consideration the Company's closing price one day (March 29, 2016) prior to the meeting of board of directors. Actual number of shares distributed as employees' compensation for 2015 is 126,621 thousand shares. The expenses recognised for 2014 were accrued based on the net income for 2014 and the percentage of 8% and 0% for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. Employees' bonus and directors' and supervisors' remuneration for 2014 as resolved by the stockholders were in agreement with those amounts recognised in the 2014 financial statements. Actual number of shares distributed as employees' bonus for 2014 is 105,211 thousand shares. Calculation basis of the shares is based on share

price of \$89.33 (in dollars), which takes into consideration the Company's closing price one day (June 24, 2015) prior to the shareholders' resolution and the effects of ex-rights and ex-dividends.

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

#### Financial costs

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest expense:		
Bank borrowings	16,251,730	\$ 12,818,940
Corporate bonds	2,612,702	2,042,361
Financing expense from accounts receivable factoring	6,107	145,774
	<u>\$ 18,870,539</u>	<u>\$ 15,007,075</u>

#### Income tax

##### A. Income tax expense

##### (a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current tax:		
Current tax on profits for the year	\$ 44,192,616	\$ 38,380,967
Tax on undistributed surplus earnings	5,289,981	5,664,132
Adjustments in respect of prior years	944,467	( 1,745,608)
Total current tax	<u>50,427,064</u>	<u>42,299,491</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,590,165)	( 660,941)
Income tax expense	<u>\$ 48,836,899</u>	<u>\$ 41,638,550</u>

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

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Remeasurement of defined benefit obligations	<u>\$ 26,278</u>	<u>\$ 6,763</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 60,241,405	\$ 54,152,394
Effects from items disallowed by tax regulation	( 17,750,773)	( 16,534,397)
Prior year income tax under (over) estimate	944,467	( 1,745,608)
Additional 10% tax on undistributed earnings	5,295,815	5,669,372
Others	105,985	96,789
Income tax expense	48,836,899	41,638,550
Changes in deferred income tax	( 1,590,165)	660,941
Prior year income tax (under) over estimate	( 944,467)	1,745,608
Prepaid income tax	( 16,341,231)	( 14,495,414)
Income tax payable for prior years	2,669,117	1,906,418
Others	53,960	234,119
Current income tax liability	\$ 32,684,113	\$ 31,690,222

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

	For the year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for sales allowances	\$ 421,596	(\$ 13,849)	\$ -	\$ 407,747
Reserve for inventory obsolescence and market price decline	2,816,419	( 53,393)	-	2,763,026
Deferred income	1,107,509	277,248	-	1,384,757
Unrealized expenses	3,387,397	( 1,021,137)	-	2,366,260
Difference from finance and tax due to depreciation expense	5,876,867	1,385,332	-	7,262,199
Reserve for pension cost	271,647	3,217	26,278	301,142
Unused compensated absences	524,327	79,942	-	604,269
Others	2,970,397	243,774	-	3,214,171
	<u>17,376,159</u>	<u>901,134</u>	<u>26,278</u>	<u>18,303,571</u>

For the year ended December 31, 2015				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
-Deferred tax liabilities:				
Foreign investment				
income using equity				
method	(\$ 4,578,262)	(\$ 1,535,723)	\$ -	(\$ 6,113,985)
Unrealised exchange gain	( 1,587,418)	702,085	-	( 885,333)
Interest income	( 125,485)	( 722,182)	-	( 847,667)
Unrealized gain on				
financial instruments	( 218,584)	( 672,034)	-	( 890,618)
Others	( 579,768)	( 263,445)	-	( 843,213)
	<u>( 7,089,517)</u>	<u>( 2,491,299)</u>	<u>-</u>	<u>( 9,580,816)</u>
	<u>\$ 10,286,642</u>	<u>(\$ 1,590,165)</u>	<u>\$ 26,278</u>	<u>\$ 8,722,755</u>
For the year ended December 31, 2014				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for sales				
allowances	\$ 383,565	\$ 38,031	\$ -	\$ 421,596
Reserve for inventory				
obsolescence and				
market price decline	2,741,123	75,296	-	2,816,419
Deferred income	1,110,343	( 2,834)	-	1,107,509
Unrealized expenses	4,682,904	( 1,295,507)	-	3,387,397
Difference from finance and				
tax due to depreciation				
expense	3,841,240	2,035,627	-	5,876,867
Reserve for pension cost	262,262	2,622	6,763	271,647
Unused compensated				
absences	508,137	16,190	-	524,327
Others	2,307,467	662,930	-	2,970,397
	<u>15,837,041</u>	<u>1,532,355</u>	<u>6,763</u>	<u>17,376,159</u>
-Deferred tax liabilities:				
Foreign investment				
income using equity				
method	( 4,598,888)	20,626	-	( 4,578,262)
Unrealised exchange gain	( 1,353,041)	( 234,377)	-	( 1,587,418)
Others	( 266,174)	( 657,663)	-	( 923,837)
	<u>( 6,218,103)</u>	<u>( 871,414)</u>	<u>-</u>	<u>( 7,089,517)</u>
	<u>\$ 9,618,938</u>	<u>\$ 660,941</u>	<u>\$ 6,763</u>	<u>\$ 10,286,642</u>



D. The Company did not recognise taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2015 and 2014, the amounts of temporary differences unrecognised as deferred tax liabilities were \$711,626,570 and \$648,931,298, respectively.

E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

F. Unappropriated retained earnings:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Earnings generated in and before 1997	\$ 2,163,509	\$ 2,163,509
Earnings generated in and after 1998	614,064,202	544,769,014
Total	<u>\$ 616,227,711</u>	<u>\$ 546,932,523</u>

G. The stockholders' deductible tax and expected deductible tax rate are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Balance of stockholders deductible tax account	\$ 64,741,033	\$ 57,048,266
	<u>2015 (Expected)</u>	<u>2014 (Actual)</u>
Tax deductible rate of earnings distribution	<u>12.96%</u>	<u>12.70%</u>

#### Earnings per share

	<u>For the year ended December 31, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 146,866,977	15,586,159	\$ 9.42
<u>Diluted earnings per share:</u>			
Profit attributable to ordinary shareholders of the parent	\$ 146,866,977	15,586,159	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	181,610	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 146,866,977</u>	<u>15,767,769</u>	<u>\$ 9.31</u>

	For the year ended December 31, 2014		
	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	\$ 130,534,729	15,531,392	\$ 8.40
<u>Diluted earnings per share:</u>			
Profit attributable to ordinary shareholders of the parent	\$ 130,534,729	15,531,392	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	162,547	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 130,534,729	15,693,939	\$ 8.32

The number of shares had retroactively been adjusted by the stock dividends as of December 31, 2015.

Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2015	2014
Purchase of property, plant and equipment	\$ 55,749,749	\$ 23,973,521
Add: opening balance of payable on equipment	33,614,650	36,080,249
Less: ending balance of payable on equipment	( 18,109,912)	( 33,614,650)
Net exchange differences	( 294,961)	1,125,893
Cash paid during the year	\$ 70,959,526	\$ 27,565,013

B. Financing activities with no cash flow effects

	For the years ended December 31,	
	2015	2014
Employees' stock dividends	\$ 9,398,501	\$ 7,682,195

## RELATED PARTY TRANSACTIONS

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

#### A. Sales

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Sales of goods:		
Associates	\$ 68,982,194	\$ 50,630,860
Other related party	<u>7,182,707</u>	<u>7,445,267</u>
	<u>\$ 76,164,901</u>	<u>\$ 58,076,127</u>

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

#### B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Purchase of goods:		
Associates	\$ 98,354,506	\$ 94,401,624
Other related party	<u>18,461,860</u>	<u>19,191,934</u>
	<u>\$ 116,816,366</u>	<u>\$ 113,593,558</u>

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

#### C. Receivables from related parties

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable:		
Associates	\$ 23,927,466	\$ 20,972,718
Other related party	<u>2,275,810</u>	<u>3,121,248</u>
	<u>26,203,276</u>	<u>24,093,966</u>
Other receivables - sale of property, plant and equipment:		
Associates	103,695	459,909
Other receivables - purchase of materials on behalf of related parties:		
Associates	398,850	1,061,948
Other related party	<u>12,526</u>	<u>1,892,058</u>
	<u>515,071</u>	<u>3,413,915</u>
	<u>\$ 26,718,347</u>	<u>\$ 27,507,881</u>

The receivables from related parties arise mainly from sale transactions, sales of property, plant and equipment and purchase of raw materials on behalf of others. The amount is due 30 to 90

days after the transaction date. The receivables are unsecured and non-interest bearing.

D. Payables to related parties

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts payable:		
Associates	\$ 27,915,396	\$ 33,475,570
Other related party	<u>2,947,139</u>	<u>7,539,031</u>
	<u>30,862,535</u>	<u>41,014,601</u>
Other payables - acquisition of property, plant and equipment:		
Associates	127,342	699,346
Other related party	<u>129,209</u>	<u>130,899</u>
	<u>256,551</u>	<u>830,245</u>
	<u>\$ 31,119,086</u>	<u>\$ 41,844,846</u>

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

E. Prepayments:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Associates	<u>\$ 870</u>	<u>\$ 14,430</u>

F. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Acquisition of property, plant and equipment:		
Associates	\$ 974,018	\$ 721,129
Other related party	<u>5,466</u>	<u>152,458</u>
	<u>\$ 979,484</u>	<u>\$ 873,587</u>

(b) Proceeds from sale of property, plant and equipment and gain (loss) on disposal:

	<u>For the years ended December 31,</u>			
	<u>2015</u>		<u>2014</u>	
	<u>Proceeds from sale of property, plant and equipment</u>	<u>Gain</u>	<u>Proceeds from sale of property, plant and equipment</u>	<u>Gain</u>
Sale of property, plant and equipment:				
Associates	<u>\$ 501,591</u>	<u>\$ 116,901</u>	<u>\$ 980,142</u>	<u>\$ 250,860</u>

G. Loans to related parties

Receivables from related parties

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Associates	\$ 1,582,754	\$ 475,107

Interest income

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Associates	\$ 17,830	\$ 7,048

As of December 31, 2015 and 2014, the interest was both charged at the rate of 1.41%~7.2%.

Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ 731,374	\$ 429,356
Service execution fees	610	606
Share-based payments	209,689	143,294
	<u>\$ 941,673</u>	<u>\$ 573,256</u>

PLEDGED ASSETS

As of December 31, 2015 and 2014, the book values of the Group's pledged assets are as follows:

<u>Assets</u>	<u>Nature</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Time deposits and cash (shown as "other current assets")	Customs deposits and short-term loans	\$ 462,246	\$ 7,777
Time deposits and cash (shown as "other non-current assets")	Security deposit for provisional attachment, bond deposit as security for court proceedings, security deposit for employment of foreign employees and customs deposits	53,877	30,500
Property, plant and equipment and other non-current assets	Long-term loans	917,865	917,395
		<u>\$ 1,433,988</u>	<u>\$ 955,672</u>

SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(5) Contingencies

None.

## Commitments

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	\$ 24,482,786	\$ 6,133,518

B. Operating lease commitments

The Company's subsidiary leases factory dormitory under non-cancellable operating lease agreements. The lease terms are between 5 and 10 periods, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not later than one year	\$ 642,152	\$ 700,882
Later than one year but not later than five years	1,106,635	1,504,217
Later than five years	18,611	314,902
	<u>\$ 1,767,398</u>	<u>\$ 2,520,001</u>

C. The Group entered into an agreement with Qualcomm Incorporated regarding mobile phone use right. Under the agreement, the Group shall pay royalties based on sales volume of the related products.

## SIGNIFICANT DISASTER LOSS

None.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. The Board of Directors has approved the proposal of employees' compensation for 2015 on March 30, 2016. Please refer to Note 6(34).

B. To expand global business, the Board of Directors during its meeting on March 30, 2016 adopted a resolution for the Company and its subsidiary, Foxconn (Far East) Limited, to acquire issued ordinary shares of Sharp Corporation (Sharp) at JPY88 (in yen) per share amounting to 2,215,550,697 shares, which represent 44.55% of shareholding ratio. The acquisition is JPY 194,968,461 thousand. Furthermore, the Company acquired 11,363,636 shares of Class C preferred shares without voting rights at JPY 8,800 (in yen) per share, which is JPY 99,999,997 thousand in total.

## OTHERS

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to operate with the goal to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current

borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet less the total of intangible assets.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio at 70% or below.

### Financial instruments

#### A. Fair value information of financial instruments

- (a) Except those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at fair value through profit or loss, available-for-sale financial assets, notes and accounts receivable inclusive of related parties and other financial assets, short-term loans, financial liabilities measured at fair value through profit or loss, notes and accounts payable inclusive of related parties and current portion of the long-term liabilities.) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2015			
	Book Value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 186,504,101	\$ -	\$ 181,408,402	\$ -
Finance lease payable	3,042,986	-	2,510,621	-
	<u>\$ 189,547,087</u>	<u>\$ -</u>	<u>\$ 183,919,023</u>	<u>\$ -</u>
	December 31, 2014			
	Book Value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 151,144,413	\$ -	\$ 143,536,408	\$ -
Finance lease payable	2,948,552	-	1,798,562	-
	<u>\$ 154,092,965</u>	<u>\$ -</u>	<u>\$ 145,334,970</u>	<u>\$ -</u>

- (b) The methods and assumptions of fair value measurement are as follows:

Bonds payable: Regarding the bonds issued by the Group, the coupon rate approximates to the current market rate. Therefore, the fair value is estimated using the present value of the expected cash flows and market interest rate.

Finance lease payable : The fair value is estimated using the present value of the expected cash flows of market rates.

#### B. Financial risk management policies

- (a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly

identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimize its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.
- iv. For the information of the derivative financial instruments that the Group enters into, please refer to Note 6(2).

(c) Management system:

- i. Risk management is executed by the Group's finance department by following policies approved by the Board. Through cooperation with the Group's operating units, finance department is responsible for identifying, evaluating and hedging financial risks.
- ii. The Board has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) Nature:

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

- a. Foreign exchange risk arises from different exchange rates to functional currency as the invoice dates of accounts receivable and payable denominated in non-functional foreign currency are different. Due to the characteristics of the subcontracting industry, the Company's revenue and expenditures are mostly denominated in foreign currency. Thus, the remaining net foreign exchange risk is not material after offsetting assets and liabilities. Furthermore, although the variations in currencies of the Company's certain foreign investments in emerging countries (i.e. Brazil, Mexico, etc.) are considered



huge, the percentage of the investments is not significant and thus the Company's foreign exchange risk can be maintained in the controllable range. (Note: The Group has several sites in various countries and thus is exposed to various foreign exchange risks. The main risk arises from USD and RMB.)

b. Except for the above transactions (operating activities) 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:

a. For such risks, the Group has set up policies requiring companies in the Group to manage its exchange rate risks.

b. As to the exchange rate risk arising from the difference between various functional currencies and the reporting currency in the consolidated financial statements, it is managed by the Group's finance department.

(iii) The source:

a. U.S. dollar and NT dollar:

Foreign exchange risk arises primarily from U.S. dollar-denominated cash, cash equivalents, accounts receivable and other receivables, other assets, loans, accounts payable and other payables and other liabilities, which results in exchange loss or gain when they are translated into New Taiwan dollars.

b. 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.

c. JPY and NT dollar:

Foreign exchange risk arises primarily from yen-denominated loans, accounts payable and other payables, which results in exchange loss or gain when they are translated into New Taiwan dollars.

(iv) Extent

The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015					
(Foreign currency: Functional currency)	Foreign currency amount	Exchange rate	Book value (NTD)	<u>Sensitivity analysis</u>	
	<u>(in thousands)</u>			<u>Extent of variation</u>	<u>Effect on profit or loss</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 18,757,042	32.83	\$ 615,793,689	1%	\$ 6,157,937
USD : RMB	18,494,483	32.83	607,173,877	1%	6,071,739
<u>Net effect in consolidated entities with foreign currency</u>					
USD : NTD	\$ 27,239,256	32.83	\$ 894,264,774		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 9,106,324	32.83	\$ 298,960,617	1%	\$ 2,989,606
USD : RMB	20,294,327	32.83	666,262,755	1%	6,662,628
JPY : NTD	15,699,765	0.2727	4,281,326	1%	42,813

December 31, 2014					
(Foreign currency: Functional currency)	Foreign currency amount	Exchange rate	Book value (NTD)	<u>Sensitivity analysis</u>	
	<u>(in thousands)</u>			<u>Extent of variation</u>	<u>Effect on profit or loss</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 20,861,761	31.65	\$ 660,274,736	1%	\$ 6,602,747
USD : RMB	15,258,675	31.65	482,937,064	1%	4,829,371
<u>Net effect in consolidated entities with foreign currency</u>					
USD : NTD	\$ 25,289,125	31.65	\$ 800,400,806		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 17,166,911	31.65	\$ 543,332,733	1%	\$ 5,433,327
USD : RMB	16,739,892	31.65	529,817,582	1%	5,298,176
JPY : NTD	38,278,023	0.2646	10,128,365	1%	101,284

(v) Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group

for the years ended December 31, 2015 and 2014 amounted to \$18,047,098 and \$6,907,888, respectively.

ii. Equity securities

(i) Nature

The Group primarily invests in domestic and foreign publicly traded and unlisted equity instruments, which are accounted for as available-for-sale financial assets and financial assets carried at cost. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

(ii) Extent

If such equity instruments' price rise or fall by 1%, with all other factors held constant, the impact on equity due to available-for-sale equity instruments are \$396,246 and \$538,279 for the years ended December 31, 2015 and 2014, respectively.

iii. Futures

(i) Nature

The Group is exposed to commodity price risk because of future commodity price fluctuations.

(ii) Extent

The Group sets stop-loss amount to reduce its futures market risk whenever futures contracts are entered into. As a result, there is no significant futures market risk.

iv. Interest rate risk

The Group's interest rate risk arises from long-term loans or corporate bonds with floating rates. The Company's long-term corporate bonds with fixed interest rates do not have interest rate risk or fair value interest rate risk. Long-term loans or corporate bonds with floating rates expose the Group to cash flow interest rate risk, but most of the risks are offset by cash and cash equivalents with variable interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management.
- iii. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments. The counterparties are banks with good credit quality and financial institutions with investment grade or above and government

agencies, so there is no significant compliance concerns and credit risk.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Up to 30 days	\$ 5,713,897	\$ 3,531,918
31 to 90 days	2,404,766	666,286
91 to 180 days	91,945	168,622
181 to 360 days	101,446	98,228
Over 360 days	154,083	146,943
	<u>\$ 8,466,137</u>	<u>\$ 4,611,997</u>

- v. Movements on the Group's provision for impairment of notes receivable and accounts receivable (including related parties) are as follows:

(i) As of December 31, 2015 and 2014, accounts receivable that had been impaired were \$3,203,260 and \$2,750,491, respectively.

(ii) Movement in allowance for individual provision for bad debts is as follows:

	<u>2015</u>	<u>2014</u>
At January 1	\$ 2,750,491	\$ 2,451,701
Provision for impairment	452,769	298,790
At December 31	<u>\$ 3,203,260</u>	<u>\$ 2,750,491</u>

- vi. The credit quality of accounts receivable (including related parties) that were neither past due nor impaired is in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Group 1	\$ 340,721,330	\$ 565,262,325
Group 2	117,431,308	85,020,468
Group 3	96,012,262	90,722,555
Group 4	28,277,553	26,763,436
	<u>\$ 582,442,453</u>	<u>\$ 767,768,784</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.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each operating entity of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2015	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Short-term notes and bills payable	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000
Short-term loans	67,928,627	95,696	2,208,886	-	-	-	70,233,209
Accounts payable (including related parties)	626,790,666	16,659,870	607,240	-	-	-	644,057,776
Other payables	164,573,016	32,108,373	343,044	-	-	-	197,024,433
Bonds payable	6,814,847	3,000,000	14,900,000	61,266,248	60,469,977	40,100,000	186,551,072
Long-term loans	2,968,619	750,408	17,236,256	893,116	5,813,159	3,514,900	31,176,458
Finance lease payable	-	-	-	-	-	3,042,986	3,042,986
	<u>\$ 876,075,775</u>	<u>\$ 52,614,347</u>	<u>\$ 35,295,426</u>	<u>\$ 62,159,364</u>	<u>\$ 66,283,136</u>	<u>\$ 46,657,886</u>	<u>\$ 1,139,085,934</u>
<u>December 31, 2014</u>							
Short-term loans	\$ 175,757,699	\$ 42,489,059	\$ 8,253,749	\$ -	\$ -	\$ -	\$ 226,500,507
Accounts payable (including related parties)	701,184,167	34,139,450	6,243	-	-	-	735,329,860
Other payables	215,911,358	7,272,793	391,368	-	-	-	223,575,519
Bonds payable	3,000,000	-	13,500,000	24,622,040	74,890,904	35,200,000	151,212,944
Long-term loans	3,004,337	-	8,768,902	20,214,881	1,129,677	2,853,169	35,970,966
Finance lease payable	-	-	-	-	-	2,948,552	2,948,552
	<u>\$ 1,098,857,561</u>	<u>\$ 83,901,302</u>	<u>\$ 30,920,262</u>	<u>\$ 44,836,921</u>	<u>\$ 76,020,581</u>	<u>\$ 41,001,721</u>	<u>\$ 1,375,538,348</u>

Derivative financial liabilities:

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
<u>December 31, 2015</u>							
Cross currency swap contracts	\$ -	\$ -	(\$ 12,727)	\$ -	\$ -	\$ -	(\$ 12,727)
Forward exchange contracts	( 410,972)	( 61,074)	-	-	-	-	( 472,046)
	<u>(\$ 410,972)</u>	<u>(\$ 61,074)</u>	<u>(\$ 12,727)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 484,773)</u>
<u>December 31, 2014</u>							
Cross currency swap contracts	(\$ 811,314)	\$ -	\$ -	\$ -	\$ -	\$ -	(\$ 811,314)
Forward exchange contracts	( 459,698)	-	-	-	-	-	( 459,698)
	<u>(\$ 1,271,012)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 1,271,012)</u>

Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(16).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 84,484	\$ 319,762	\$ -	\$ 404,246
Cross currency swap				
contracts	-	5,280,768	-	5,280,768
Forward exchange contracts	-	429,899	-	429,899
Available-for-sale financial				
assets				
Equity securities	39,106,595	-	-	39,106,595
Foreign investment fund	-	518,033	-	518,033
	<u>\$ 39,191,079</u>	<u>\$ 6,548,462</u>	<u>\$ -</u>	<u>\$ 45,739,541</u>
<u>Liabilities:</u>				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial liabilities at fair				
value through profit or loss				
Cross currency swap	\$ -	(\$ 12,727)	\$ -	(\$ 12,727)
contracts				
Forward exchange contracts	-	(472,046)	-	(472,046)
	<u>\$ -</u>	<u>(\$ 484,773)</u>	<u>\$ -</u>	<u>(\$ 484,773)</u>



December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial products	\$ -	\$ 3,816	\$ -	\$ 3,816
Beneficiary certificates	79,825	632,716	-	712,541
Cross currency swap contracts	-	2,191,335	-	2,191,335
Forward exchange contracts	-	312,322	-	312,322
Others	218,241	-	-	218,241
Available-for-sale financial assets				
Equity securities	53,290,617	-	-	53,290,617
Foreign investment fund	-	537,315	-	537,315
	<u>\$ 53,588,683</u>	<u>\$ 3,677,504</u>	<u>\$ -</u>	<u>\$ 57,266,187</u>
<b>Liabilities:</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Cross currency swap contracts	\$ -	(\$ 811,314)	\$ -	(\$ 811,314)
Forward exchange contracts	-	( 459,698)	-	( 459,698)
	<u>\$ -</u>	<u>(\$ 1,271,012)</u>	<u>\$ -</u>	<u>(\$ 1,271,012)</u>

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally

observable in the market.

- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
  - (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
  - (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.
  - F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.

#### SUPPLEMENTARY DISCLOSURES

##### (1) Significant transactions information

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

table 7.

#### Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

#### Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The Company appointed Foxconn (Far East) Limited's Mainland investee to render processing services and to trade. The transactions were eliminated in the consolidated financial statements. For significant transactions of processing services, trading, receivables and payables, endorsements and guarantees or collaterals provided, and financing, please refer to Note 13(1) A, B, G and H.

### SEGMENT INFORMATION

#### (2) General information

The Group has adopted eCMMS (E-enabled Components, Modules, Moves & Services) strategy, and provided a one-stop shop to its customers, which are primarily in the 3C industries, with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Group segregates operating segments from both a customer service and product perspective.

In accordance with IFRS No. 8, "Operating Segments", the Group has determined the operating segments and reportable operating segments. Operating segments which have met certain quantitative threshold are disclosed individually or aggregately as reportable operating segments; other segments which have not met the quantitative threshold are included in the 'all other segments'. The Group has identified the electronic manufacturing integrated services department, which provides global 3C production-related one-stop services, as a reportable operating segment.

#### Measurement of segment information

The chief operating decision maker assesses performance and allocates resources of the operating segments based on each operating segment's revenue and operating income after adjusting the internal costs and allocated expenses. Except for the recognition of internal costs which shall be in accordance with the Group's related internal calculation basis, the operating segments' accounting policies are the same as disclosed in Note 4.

#### Segment information

The financial information of reportable segments provided to chief operating decision

maker is as follows:

	For the years ended December 31,	
	2015	2014
	Electronic Manufacturing Integration Service	Electronic Manufacturing Integration Service
Net external revenue	\$ 4,241,938,841	\$ 3,965,607,295
Revenue from internal customers	485,824,862	983,748,322
Segment revenue	\$ 4,727,763,703	\$ 4,949,355,617
Segment profit	\$ 174,142,198	\$ 189,661,480

Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2015 and 2014 is provided as follows:

	For the years ended December 31,	
	2015	2014
<u>Operating revenue</u>		
Total reported segment revenue	\$ 4,727,763,703	\$ 4,949,355,617
Other operating segment revenue	53,517,300	76,502,022
Elimination of intersegment revenue	( 299,135,036)	( 812,685,318)
Total corporate revenue	\$ 4,482,145,967	\$ 4,213,172,321
<u>Profit and loss</u>		
Profit of reported segment	\$ 174,142,198	\$ 189,661,480
Profit of other operating segments	4,668,036	( 8,312,990)
Elimination of intersegment transactions and internal costs and allocated expenses adjustments	20,228,081	( 7,228,118)
Profit before income tax	\$ 199,038,315	\$ 174,120,372

### Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	For the years ended December 31,			
	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	\$ 1,479,056,371	\$ 987,418	\$ 1,252,126,006	\$ 1,598,750
Ireland	1,337,438,634	143,624	1,223,538,332	137,804
China	318,429,095	277,574,412	357,642,516	309,636,283
Singapore	398,082,724	84,602	439,119,155	62,168
Japan	209,884,007	110,788	231,536,895	142,028
Taiwan	45,654,125	32,358,863	30,157,005	24,081,411
Others	693,601,011	55,090,406	679,052,412	55,261,393
	<u>\$ 4,482,145,967</u>	<u>\$ 366,350,113</u>	<u>\$ 4,213,172,321</u>	<u>\$ 390,919,837</u>

### Major customer information

Major customer information of the Group for the years ended December 31, 2015 and 2014 is as follows:

	For the years ended December 31,	
	2015	2014
	Revenue (in millions)	Revenue (in millions)
Client E	\$ 2,405,381	\$ 2,119,957
Client C	340,234	378,000

## VII. Financial Analysis

### A. 2015 vs. 2014 Financial Analysis

Unit: NT\$Thousand

Item \ Year	2015	2014	Difference		Ratio change analysis and explanation (Note 1)
			Amount	%	
Current assets	1,788,218,973	1,932,421,355	(144,202,382)	(7.46)	
Fund and Long-term equity investments	77,634,937	63,412,270	14,222,667	22.43	Note 2
Fixed assets	336,738,466	358,868,558	(22,130,092)	(6.17)	
Other assets	105,707,501	108,012,566	(2,305,065)	(2.13)	
Total assets	2,308,299,877	2,462,714,749	(154,414,872)	(6.27)	
Current liabilities	1,056,122,201	1,302,601,797	(246,479,596)	(18.92)	
Other liabilities	191,786,597	175,436,150	16,350,447	9.32	
Total liabilities	1,247,908,798	1,478,037,947	(230,129,149)	(15.57)	
Common stock	156,382,881	147,934,068	8,448,813	5.71	
Capital surplus	81,736,538	71,659,908	10,076,630	14.06	
Retained earnings	709,407,639	627,058,978	82,348,661	13.13	
Other Equity	60,121,681	83,597,180	(23,475,499)	(28.08)	Note 3
Treasury Stock	(18,901)	(18,901)	-	-	
Equity attributable to owners of the parent	1,007,629,838	930,231,233	77,398,605	8.32	
Non-controlling Equity	52,761,241	54,445,569	(1,684,328)	(3.09)	
Total stockholders' equity	1,060,391,079	984,676,802	75,714,277	7.69	

Note 1: Analysis is required where the variance is over 20% with the total amount more than NT\$10 million.

Note 2: In order to get more orders, the Company increased its strategic investment in Japan, South Korea, and Mainland China greatly this year, which is to enhance the Company's vertical integration capability.

Note 3: This year's profits and losses of the reinvestment from the available-for-sale investments was due to the decline of the global stock market and the substantial reduction in value.

## B. 2015 vs. 2014 Operating Result Analysis

Unit: NT\$Thousand

Item \ Year	2015	2014	Amount changed	Change percentage (%)	Variance analysis
Revenues	4,482,145,967	4,213,172,321	268,973,646	6.38	-
Cost of revenues	(4,161,553,998)	(3,921,228,465)	240,325,533	6.13	-
Gross profit	320,591,969	291,943,856	28,648,113	9.81	-
Operating expenses	(156,323,398)	(148,752,445)	7,570,953	5.09	-
Operating income	164,268,571	143,191,411	21,077,160	14.72	-
Non-operating income	34,769,744	30,928,961	3,840,783	12.42	-
Income (loss) before income taxes	199,038,315	174,120,372	24,917,943	14.31	-
Income tax benefit (expense)	(48,836,899)	(41,638,550)	7,198,349	17.29	-
Net income (loss)	150,201,416	132,481,822	17,719,594	13.38	-
Other comprehensive income	(29,072,832)	55,569,496	(84,642,328)	(152.32)	Note
Total comprehensive income	121,128,584	188,051,318	(66,922,734)	(35.59)	Note

Variance analysis:

Note: This year, due to the sharp appreciation of the US dollar and the volatility of the global stock market, the foreign currency conversion rate and the profits and losses of the available-for-sale evaluation were reduced substantially, which led to the losses of Other Comprehensive Income and Total Comprehensive Income.

## C. Cash Flow Analysis

### (1) 2015 vs. 2014 Liquidity Analysis

Item \ Year	2015	2014	Ratio Change (%)
Cash flow ratio (%)	22.94%	14.64%	56.56%
Cash Flow Adequacy Ratio (%)	111.58%	90.37%	23.45%
Cash reinvestment ratio (%)	11.89%	11.62%	2.32%
Variance Analysis ( In case the variance is less than 20%, no analysis is required.) During this period, the profit increased and the account receivable was collected in advance, so that the net cash flow from operating activities increased, which led to the significant increase of the cash flow ratio and the cash flow adequacy ratio.			

## (2) Cash Flow Forecast in 2016

Unit: NT\$Thousand

Cash beginning balance (1)	Cash flow from operating activities (2)	Cash flow-in (out) (3)	Cash ending balance (shortage) (1)+(2)-(3)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
236,518,757	3,930,197,304	3,983,026,200	183,739,861	-	-

Cash flow variance analysis for year 2016:

(1) Operating activities: company expects revenue and profit will continue to grow.

(2) Investment activities: company expects expansion of production facilities to meet business demand.

(3) Financing activities: company expects to distribute cash dividends, borrow short-term loans and issue unsecured bonds.



## **VIII. Special Notes**

### **A. Consolidated Financial Statements of Affiliates**

Hon Hai Precision Industry Co., Ltd.

#### Affiliates Consolidated Financial Statement Announcements

From 2014 fiscal year, the companies which should be included in the consolidated financial statements of the Company pursuant to the Affiliates Consolidated Business Reports and Consolidated Financial Statements Preparation of Affiliation Reports are the same as those should be included pursuant to the Statement of Financial Accounting Standards No. 27, and also the affiliates consolidated financial statements should be disclosed information on supra parent company have already been disclosed in the consolidated financial statements of the Company. Therefore the Company will not prepare a separate affiliates consolidated financial statements.

Hereby declare

Company Name: Hon Hai Precision Industry Co., Ltd.

Chairman: Gou, Tai-Ming (Terry Gou)

On the Date of: 3/30/2016

**B. Affiliated Companies Reports:**

None.

**(1) The most recent fiscal year and up to the date of this Annual Report printed, Private Placement Securities:**

None.

**(2) The most recent fiscal year and up to the date of this Annual Report printed, subsidiary companies holding or disposal of the Company's stock list:**

Name of Subsidiaries	Paid-in capital	Source of funds	The Company's ownership	The date of the acquisition or disposal	Number of shares or amount	Number of shares or amount of disposal	Investment gains and losses	Shares as of the date of this Annual Report printed	Set pledge	Endorsement amount of the Company	Loan amount of the Company
Hongjing International Investment Co., Ltd.	20,000,000	Own funds	100%	2015/11/03	80,253 Shares	N/A	N/A	1,685,317 Shares 18,901 thousand dollars	N/A	N/A	N/A
				As of the date of this Annual Report printed	N/A	N/A	N/A		N/A	N/A	N/A

**(3) Other supplementary information:**

None.

**(4) Matters affect the shareholders' equity or the price of securities:**

None.

**Hon Hai Precision Industry Co., Ltd.**  
**Chairman: Gou, Tai-Ming (Terry Gou)**