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

2017 Annual General Shareholders' Meeting

Meeting Handbook

June 22, 2017

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2017 ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") 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 HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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**Hon Hai Precision Industry Co., Ltd.**  
**2017 Annual General Shareholders' Meeting**

**Meeting Procedure**

Time: 9:00 a.m., June 22, 2017 (Thursday)

Venue: 5th Floor, No. 2 Zihyou Street

Tucheng Industrial Park

Tucheng Dist., New Taipei City, Taiwan

- I. Report the total number of shares represented at this AGM
- II. Meeting Commencement Announced
- III. Chairman's Address
- IV. Report Items
- V. Ratification and Discussion Items
- VI. Extraordinary Motions
- VII. Adjournment

**Hon Hai Precision Industry Co., Ltd.**  
**2017 Annual General Shareholders' Meeting**

**Agenda**

- I. Chairman's Address
- II. Report Items
  - (1) 2016 Business Report
  - (2) Audit Committee's Review Report of 2016 audited financial statements
  - (3) To report 2016 employees' compensation
  - (4) Status report of the Company's new indirect investment in Mainland China
  - (5) Status report of domestic corporate bond issuance
- III. Ratification and Discussion Items
  - (1) To approve 2016 Business Report and Financial Statements
  - (2) To approve the proposal for distribution of 2016 earnings
  - (3) To revise the Procedures for Acquisition or Disposal of Assets
- IV. Extraordinary Motions
- V. Adjournment

## **Report Items**

### **Item 1: 2016 Business Report**

#### **Description:**

1. Please refer to Attachment 1 (pages 14-15) for the 2016 Business Report.
2. Please refer to Attachment 3 (pages 17-30) for the Financial Statements.

**Item 2: Audit Committee's Review Report of 2016 audited financial statements**

**Description:**

Please refer to Attachment 2 (page 16) and Attachment 3 (pages 17-30) for the Audit Committee's Review Report and the Accountant's Audit Report, respectively.

### **Item 3: To report 2016 employees' compensation**

#### **Description:**

1. According to the Articles of Incorporation, 5-7% of the Company's profit (if any) is to be set aside for employee remuneration.
2. The employee remuneration totaled NT\$10,497,750,459 in 2016, distributed in cash, taking up 6% of the profit of the year. There is no difference between the above resolution and the ratified cost for 2016.
3. The Chairman is authorized to handle any pending issues related to this item, or any changes needed due to fact changes or required by the competent authorities.



#### Item 4: Status report of the Company's new indirect investment in Mainland China

##### Description:

The 2016 new indirect investments in the Chinese mainland with the Company's own capital via the Company itself or its overseas subsidiaries are as follows:

Approval Code	Company Name	Amount Approved (US\$)
10500033620	Chengdu Jusda Supply Chain Management Co., Ltd..	52,990,800
10500095640	Hongfutai Precision Electronics (Yantai) Co., Ltd..	30,000,000
10500095650	Hongfujin Precision Electronics (Zhengzhou) Co.,Ltd..	1,500,000,000
10500095660	Lankao Yufu Precision Technology Co.,Ltd..	100,000,000
10530020170	Shenzhen Nano Photoelectric Co., Ltd.	15,482
10530022570	Lankao Yude Packaging Technology Co.,Ltd..	12,000,000
10530022580	Foxcavity Precision Industry (Shen Zhen) Co.,Ltd..	10,000,000
10530022590	Henan Yuzhan Precision Technology Co.Ltd..	6,200,000
10530022600	Shenzhen FuJun Material Technology Co.,Ltd..	910,000
10530022610	Yan Tai Fuhuada Precision Electronics Co.,Ltd.	7,000,000
10530022620	Anhui Hongqing Precision Machine Co.,Ltd..	8,000,000
10530022630	Fushirui Precision Industry (Jincheng) Co.,Ltd.	3,500,000
10530033070	Kunshan Nano New Material Technology Co., Ltd.	680,040
10530035360	Jin Ji Full Precision Machinery (Huaian) Co., Ltd..	10,000,000
10530047830	Interface Technology (Wuxi) Electronics Co.,Ltd..	1,977,600
10530052530	Hongfusheng Precision Electronics (Zhengzhou) Co.,Ltd.	3,750,000
10530052540	Fargan Technology (Shenzhen) Co., Ltd.	20,000,000
10530055370	Winson Electronic Technology (Shenzhen) Co.,Ltd..	139,950
10530055500	Nxera Information Technology (Shenzhen) Co.Ltd..	428,808
10530059010	Qi Ding Technology Qinhuangdao Co., Ltd..	37,960,000
10530074060	Shenzhen FuJun Material Technology Co.,Ltd.	5,250,000
10500213680	Fukui Precision Component (Shenzhen) Co., Ltd..	136,265,088

## Item 5: Status report of domestic corporate bond issuance

### Description:

In order to pay the short-term debt, the Company issued domestic unsecured ordinary corporate bonds. Details as follows:

Unit: NT\$'000

Tranche/category	The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016						
Date of Approval	June 2, 2016						
Date of Issuance	June 7, 2016						
Total Issuance Amount	9,000,000						
Face value	1,000						
Issue Price	NT\$100 (at Par)						
Type of Bonds	Coupon A	Coupon B	Coupon C	Coupon D	Coupon E	Coupon F	Coupon G
Issuance Amount	400,000	1,300,000	300,000	2,100,000	1,300,000	1,800,000	1,800,000
Term	2016.6.7   2018.6.7	2016.6.7   2019.6.7	2016.6.7   2020.12.7	2016.6.7   2021.6.7	2016.6.7   2022.6.7	2016.6.7   2023.6.7	2016.6.7   2026.6.7
Coupon Rate (fixed rate)	0.60%	0.70%	0.75%	0.80%	0.88%	0.95%	1.20%
Interest Payment	From the date of the issuance, a simple interest is calculated and distributed once a year per coupon rate						
Principal Payment	100% principal repayment upon maturity						
Trustee	Bank SinoPac						
Debt Service Agency	The Shihmao Branch of the Bank SinoPac						
Exercise of the Issuance	Fully exercised in Q2 2016						

Unit: NT\$'000

Tranche/Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016					
Date of Approval	July 29, 2016					
Date of Issuance	August 8, 2016					
Total Issuance Amount	9,000,000					
Face value	1,000					
Issue Price	NT\$100 (at Par)					
Type of Bonds	Coupon A	Coupon B	Coupon C	Coupon D	Coupon E	Coupon F
Issuance Amount	1,500,000	100,000	500,000	2,300,000	1,700,000	2,900,000
Term	2016.8.8	2016.8.8	2016.8.8	2016.8.8	2016.8.8	2016.8.8
	2019.8.8	2020.8.8	2021.5.8	2021.8.8	2022.8.8	2023.8.8
Coupon Rate (fixed rate)	0.65%	0.65%	0.70%	0.73%	0.83%	0.90%
Interest Payment	From the date of the issuance, a simple interest is calculated and distributed once a year per coupon rate					
Principal Payment	100% principal repayment upon maturity					
Trustee	Bank SinoPac					
Debt Service Agency	The Shihmao Branch of the Bank SinoPac					
Exercise of the Issuance	Fully exercised in Q3 2016					

Unit: NT\$'000

Tranche/Type	The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016		
Date of Approval	November 3, 2016		
Date of Issuance	November 7, 2016		
Total Issuance Amount	3,000,000		
Face value	1,000		
Issue Price	NT\$100 (at Par)		
Type of Bonds	Coupon A	Coupon B	Coupon C
Issuance Amount	1,200,000	900,000	900,000
Term	2016.11.7	2016.11.7	2016.11.7
	2018.11.7	2019.11.7	2021.11.7
Coupon Rate (fixed rate)	0.68%	0.75%	0.83%
Interest Payment	From the date of the issuance, a simple interest is calculated and distributed once a year per coupon rate		
Principal Payment	100% principal repayment upon maturity		
Trustee	Bank SinoPac		
Debt Service Agency	The Shihmao Branch of the Bank SinoPac		
Exercise of the Issuance	Fully exercised in Q4 2016		

## **Ratification and Discussion Items**

### **Proposal 1: To approve 2016 Business Report and Financial Statements**

(Proposed by the Board of Directors)

#### **Description:**

1. The 2016 Business Report and the Financial Statements have been approved by the Board of Directors, and have been reviewed by the Audit Committee.
2. Please refer to Attachment 1 through Attachment 3 (pages 14-30) for the documents mentioned above.

#### **Resolution:**

## **Proposal 2: To approve the proposal for distribution of 2016 earnings**

(Proposed by the Board of Directors)

### **Description:**

1. The 2016 Earnings Distribution Plan of the Company has been submitted by the Board of Directors, in accordance with the Company Act and the Company's Articles of Incorporation, as shown in the following table.
2. The Company's net profit after taxes totaled NT\$148,662,983,468 in 2016. After deducting the set-aside legal reserve of NT\$14,866,298,347, adding the accumulated unappropriated earning at the beginning of the period of NT\$523,349,572,655, and 2016 retained earnings adjustment of NT\$46,851,787, the available earnings for distribution was NT\$657,193,109,563 at the end of the period.
3. The Company plans to distribute dividends of NT\$77,979,322,179. Each common share holder will be entitled to receive cash dividends of NT\$4.5 per share.
4. The cash dividends will be calculated to the nearest NT dollar. The remainder will be transferred into the account of the Employee Welfare Committee.
5. Subject to the approval of the General Shareholders' Meeting, the Chairman is authorized to determine the ex-dividend date and the distribution date for the cash dividends and other related matters.
6. Prior to the ex-dividend date for the distribution, if the number of total shares outstanding has changed due to the repurchasing of shares by the Company, the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, etc., so that the ratio of the cash dividends is changed and needs to be adjusted, the Chairman is authorized to make such adjustments.

### **Resolution:**

**Hon Hai Precision Industry Co., Ltd.**  
**2016 Earnings Allocation Table**

Unit: NT\$

Items	Amount	Note
2016 Net Profit	148,662,983,468	
Less: appropriated as legal reserve (10%)	14,866,298,347	
Earnings available for distribution for 2016	133,796,685,121	
Add: Accumulated un-appropriated earnings at the beginning of the period	523,349,572,655	
Add: Retained earnings adjustment for 2016	46,851,787	
Earnings available for appropriation at the end of 2016	657,193,109,563	
Allocation Items		
Cash Dividends to Shareholders	77,979,322,179	NT\$4.5 per share
Un-appropriated Earnings	579,213,787,384	

President: Gou, Tai-ming    CEO: Gou, Tai-ming    Accounting Manager: Chou, Joung Kai

**Proposal 3: To revise the Procedures for Acquisition or Disposal of Assets**

(Proposed by the Board of Directors)

**Description:**

1. The amendments are proposed in accordance with the regulations governing the Procedures for Acquisition or Disposal of Assets promulgated by Financial Supervisory Commission on February 9, 2017 (Ref. 1060001296) and February 13, 2017 (Ref. 1060004523).
2. Please refer to Attachment 4 (pages 31-35) for the Comparison Table for the Procedures for Acquisition or Disposal of Assets before and after Revision.

**Resolution:**

## Extraordinary Motions

## Adjournment



## **Attachments**

### **Attachment 1: 2016 Business Report**

The Company hereby reports its operation results from 2016 as follows:

#### **1. 2016 Business Achievements:**

The Company delivered another year of excellent results in 2016, setting new record in net profit. The non-consolidated net revenue for 2016 was NT\$3.299 trillion, compared with NT\$3.637 trillion in 2015, a decrease of NT\$338.3 billion, or 9.3% in year-over-year decline. The consolidated net revenue for 2016 was NT\$4.358 trillion, compared with NT\$4.482 trillion in 2015, a decrease of NT\$123.4 billion, or 2.75% in year-over-year decline. The net profit was NT\$148.662 billion in 2016, compared with NT\$146.866 billion in 2015, a 1.22% year-over-year growth.

#### **2. 2016 Review and 2017 Outlook**

As the overall growth of the global technology industry has decelerated in 2016, management of enterprises faced even greater challenges under the circumstance. However, Hon Hai / Foxconn Technology Group continued to obtain great achievements with the efforts contributed by its employees around the world. The Group was ranked 25th in the Global 500 by Fortune Magazine in 2016, up from 31st in previous year. In the mean time, as part of our efforts to build a strong technological foundation and to sustain the Group's future development, the Group continues its R&D initiatives in a wide range of science and technology areas, complemented by a comprehensive patent strategy. According to IFI CLAIMS Patent Services, the Group was granted 803 US patents in 2016, ranking the Group 44th in the world. In Taiwan, based on the 2016 Patent Application and Grant List published by the Intellectual Property Office of the Ministry of Economic Affairs, the Group was granted 982 patents in 2016, confirming the Group's leading position in Taiwan for the fourteenth consecutive year. The Group invested in Sharp Corporation officially in August 2016, and both parties launched close cooperation in the areas of marketing, R&D and manufacturing immediately. Sharp has successfully turned profitable in just a few months after the strategic partnership was formed, and will become an important strategic partner for the Group in the future. However, the Group's revenue declined in 2016. We hold the entire responsibility, and will make every effort to resume the Group's growth. We would also like to thank all of our shareholders, customers, and suppliers for the full and seamless support to the Group.

The global political and economic outlook remains volatile into 2017. Although the quantitative easing policies adopted by central banks globally did not make significant impacts, there does not appear to be more efficient policies in the near term. Of the largest economies in the globe, United States has more solid economic foundation and has started to raise interest rates last year. China has turned to adopt strategies to ensure stable growth after years of rapid economic growth. European banking system is still fragile and is facing new uncertainties arising from the Brexit. Japan's quantitative easing policy did not help rid the country of persistent deflation as it was expected to. The country's economic recovery remains slow, and the conglomerates confront business bottlenecks. While developed economies focus more on domestic development, they are rarely able to care other regions. Hence, the pace of globalization slows down, and trade barriers seem to have come back.

Taking into account the above macro trends, we must further strengthen the Group's global strategic footprint. In the future technology industry, we need to move closer to our customers and help them achieve faster time to market to create a win-win scenario. We have never slowed our pace in globalization. We have gradually built a global supply chain through cross-border strategic investments in the past years. In respect of product development, we focus our strategic directions on 'Cloud, Mobile, Internet of Thing, Big Data, Artificial Intelligence, Internet+Robot'. We are currently building a supply chain for 8K image industry together with our strategic partners. By leveraging the massive data of image, the Group will facilitate to expedite the development of the artificial intelligence and intelligent learning. We will cultivate employees' view of height, breadth and depth and reach a speed to win under the principle of "looking far and broad, thinking deep and acting promptly".

"Borderless ambition achieved by absorbing of millions of talents worldwide". We will strive to maintain our consistent corporate culture and value system in order to continuously attract global talents and pursue excellence on the global platform, so as to become an internationally respected company. With a vision of sustainable development, we will fulfill our corporate social responsibilities by creating a friendly working environment for employees' long-term career, by providing customers with competitive services and value, and by maximizing return on investment for our shareholders.

President: Terry Gou (Gou Tai-ming)

CEO: Terry Gou (Gou Tai-ming)

Accounting Manager: Chou, Joung Kai

## **Attachment 2: Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements, 2016 Business Report and proposal for distribution of 2016 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2016 Business Report and proposal for distribution of 2016 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

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

Chairman of the the Audit Committee: Kai-Fu Lee

On the date of May 11, 2017

**Attachment 3: Independent Auditors' Report and 2016 Consolidated Financial Statements**

**HON HAI PRECISION INDUSTRY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2016 AND 2015**

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### **Opinion**

We have audited the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

##### Description

Please refer to Note 4(33) for accounting policies on revenue recognition.

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

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

#### How our audit addressed the matter

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

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

### **Allowance for inventory valuation losses**

#### Description

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(6) for details of inventories. As at December 31, 2016, the Group's inventories and allowance for inventory valuation losses amounted to NT\$417,567,873 thousand and NT\$30,293,812 thousand, respectively.

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

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

#### How our audit addressed the matter

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

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

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

##### Description

Please refer to Note 4(25) for accounting policies on offsetting of financial instruments, Note 5(1)2 for significant judgement on applying accounting policies on offsetting of financial instruments, and Note 6(15) for details of offsetting of financial instruments. As of December 31, 2016, the financial instruments that were offset amounted to NT\$1,772,441,274 thousand.

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

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

##### How our audit addressed the matter

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

- A. Assessed and tested internal controls over financial assets and financial liabilities offsetting agreements with financial institutions, including control processes in determining whether such agreements meet the criteria under IAS 32, 'Financial instruments: Presentation', and ascertained whether the offsetting made in the financial statements was properly approved and accounted for in compliance with the guidance in IAS 32.

- B. Obtained and reviewed terms of the above agreements and confirmed whether the criteria under IAS 32, 'Financial instruments: Presentation' were met as well as accounting treatments prescribed in the guidance.
- C. Confirmed the existence and the rights and obligations of financial assets and financial liabilities offsetting agreements with respective financial institutions.

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

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the reports of other independent accountants. Total assets of those consolidated subsidiaries amounted to NT\$218,770,647 thousand and NT\$184,681,006 thousand, constituting 8.44% and 8% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenues amounted to NT\$186,958,207 thousand and NT\$225,844,217 thousand, constituting 4.29% and 5.04% of the consolidated total operating revenues for the years then ended, respectively.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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



## **statements**

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

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

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

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

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

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

Hsu, Yung-Chien   Chang, Ming-Hui  
for and on behalf of PricewaterhouseCoopers, Taiwan  
March 31, 2017

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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, 2016 AND 2015**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 633,155,301	24	\$ 657,137,721	29
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		13,652,363	1	6,114,913	-
1125	Available-for-sale financial assets	6(3)				
	- current		462,334	-	627,508	-
1170	Accounts receivable, net	6(4)	699,077,030	27	564,705,314	24
1180	Accounts receivable - related	7				
	parties		31,980,845	1	26,203,276	1
1200	Other receivables	6(5) and 7	45,749,740	2	43,779,955	2
130X	Inventory	6(6)	387,274,061	15	424,625,017	18
1410	Prepayments		13,085,503	-	14,444,295	1
1470	Other current assets	6(7) and 8	106,764,202	4	50,580,974	2
11XX	<b>Total current assets</b>		<u>1,931,201,379</u>	<u>74</u>	<u>1,788,218,973</u>	<u>77</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value	6(2)				
	through profit or loss - non-current		5,998,337	-	-	-
1523	Available-for-sale financial assets	6(3)				
	- non-current		112,495,564	4	38,997,120	2
1543	Financial assets carried at cost -	6(8)				
	non-current		32,467,460	1	18,795,163	1
1550	Investments accounted for under	6(9)				
	equity method		142,527,340	6	77,634,937	3
1600	Property, plant and equipment	6(10) and 8	309,202,470	12	336,738,466	15
1760	Investment property - net	6(11)	2,525,291	-	3,014,648	-
1780	Intangible assets	6(12)	10,532,956	1	3,253,837	-
1840	Deferred income tax assets	6(36)	14,590,713	1	18,303,571	1
1900	Other non-current assets	6(13) and 8	30,501,430	1	23,343,162	1
15XX	<b>Total non-current assets</b>		<u>660,841,561</u>	<u>26</u>	<u>520,080,904</u>	<u>23</u>
1XXX	<b>Total assets</b>		<u>\$ 2,592,042,940</u>	<u>100</u>	<u>\$ 2,308,299,877</u>	<u>100</u>

(Continued)

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(15)	\$ 171,472,143	7	\$ 70,233,209	3
2110	Short-term notes and bills payable	6(14)	15,990,844	1	7,000,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	11,555,900	-	484,773	-
2170	Accounts payable		679,055,257	26	613,195,241	27
2180	Accounts payable - related parties	7	30,607,929	1	30,862,535	1
2200	Other payables	6(16) and 7	218,417,857	8	197,024,433	9
2230	Current income tax liabilities	6(36)	30,653,702	1	32,684,113	1
2250	Provisions for liabilities - current	6(23)	2,983,036	-	2,332,882	-
2300	Other current liabilities	6(17)	91,908,563	4	102,305,015	5
21XX	<b>Total current liabilities</b>		<u>1,252,645,231</u>	<u>48</u>	<u>1,056,122,201</u>	<u>46</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(18)	153,302,845	6	161,789,254	7
2540	Long-term loans	6(19)	24,929,793	1	10,221,175	1
2570	Deferred income tax liabilities	6(36)	18,607,586	1	9,580,816	-
2600	Other non-current liabilities	6(22)	8,768,887	-	10,195,352	-
25XX	<b>Total non-current liabilities</b>		<u>205,609,111</u>	<u>8</u>	<u>191,786,597</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>1,458,254,342</u>	<u>56</u>	<u>1,247,908,798</u>	<u>54</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(24)	173,287,383	7	156,382,881	7
<b>Capital reserve</b>						
3200	Capital surplus	6(25)	93,046,611	3	81,736,538	4
<b>Retained earnings</b>						
3310	Legal reserve	6(26)	107,866,626	4	93,179,928	4
3350	Undistributed earnings		672,059,408	26	616,227,711	27
<b>Other equity interest</b>						
3400	Other equity interest	6(27)	32,508,267	2	60,121,681	2
3500	Treasury stocks	6(24)	(18,901)	-	(18,901)	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,078,749,394</u>	<u>42</u>	<u>1,007,629,838</u>	<u>44</u>
36XX	<b>Non-controlling interest</b>	6(28)	<u>55,039,204</u>	<u>2</u>	<u>52,761,241</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>1,133,788,598</u>	<u>44</u>	<u>1,060,391,079</u>	<u>46</u>
<b>Commitments and Contingent Liabilities</b>						
<b>Subsequent Events</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,592,042,940</u>	<u>100</u>	<u>\$ 2,308,299,877</u>	<u>100</u>

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

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,**  
**EXCEPT FOR EARNINGS PER SHARE AMOUNTS)**

Items	Notes	For the years ended December 31,				
		2016		2015		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(30) and 7	\$ 4,358,733,357	100	\$ 4,482,145,967	100
5000	<b>Operating costs</b>	6(6)(33)(34) and 7	( 4,037,148,377)	( 93)	( 4,161,553,998)	( 93)
5900	<b>Net operating margin</b>		<u>321,584,980</u>	<u>7</u>	<u>320,591,969</u>	<u>7</u>
	<b>Operating expenses</b>	6(33)(34) and 7				
6100	Selling expenses		( 22,514,532)	-	( 25,989,320)	-
6200	General and administrative expenses		( 72,990,688)	( 2)	( 77,842,389)	( 2)
6300	Research and development expenses		( 51,140,259)	( 1)	( 52,491,689)	( 1)
6000	<b>Total operating expenses</b>		( 146,645,479)	( 3)	( 156,323,398)	( 3)
6900	<b>Operating profit</b>		<u>174,939,501</u>	<u>4</u>	<u>164,268,571</u>	<u>4</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(31)	50,122,333	1	33,128,050	1
7020	Other gains and losses	6(32)	( 1,368,997)	-	15,603,891	-
7050	Finance costs	6(4)(35)	( 26,570,546)	-	( 18,870,539)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(9)	<u>827,454</u>	-	<u>4,908,342</u>	-
7000	<b>Total non-operating income and expenses</b>		<u>23,010,244</u>	<u>1</u>	<u>34,769,744</u>	<u>1</u>
7900	<b>Profit before income tax</b>		197,949,745	5	199,038,315	5
7950	Income tax expense	6(36)	( 46,592,581)	( 1)	( 48,836,899)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 151,357,164</u>	<u>4</u>	<u>\$ 150,201,416</u>	<u>4</u>

(Continued)

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,**  
**EXCEPT FOR EARNINGS PER SHARE AMOUNTS)**

Items	Notes	For the years ended December 31,			
		2016		2015	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Remeasurement of defined benefit plan	6(20)			
			\$ 57,705	-	(\$ 154,574)
8349	Income tax relating to components of other comprehensive income	6(36)			
			( 9,810)	-	26,278
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
			47,895	-	( 128,296)
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(27)(28)			
			( 64,150,871)	( 2)	( 12,294,193)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(27)(28)			
			35,086,135	1	( 16,168,326)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(27)			
			3,994,754	-	482,017
8399	Income tax relating to components of other comprehensive income				
			( 6,192,134)	-	-
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>				
			( 31,262,116)	( 1)	( 28,944,536)
8300	<b>Other comprehensive loss for the year</b>				
			(\$ 31,214,221)	( 1)	(\$ 29,072,832)
8500	<b>Total comprehensive income for the year</b>				
			\$ 120,142,943	3	\$ 121,128,584
<b>Profit attributable to:</b>					
8610	Owners of the parent		\$ 148,662,983	4	\$ 146,866,977
8620	Non-controlling interest		2,694,181	-	3,334,439
			\$ 151,357,164	4	\$ 150,201,416
<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		\$ 121,097,464	3	\$ 123,263,182
8720	Non-controlling interest		( 954,521)	-	( 2,134,598)
			\$ 120,142,943	3	\$ 121,128,584
<b>Earnings per share (in dollars)</b>					
9750	Basic earnings per share	6(37)	\$ 8.60		\$ 8.54
9850	Diluted earnings per share		\$ 8.52		\$ 8.45

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

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Equity attributable to owners of the parent											
Notes	Retained Earnings				Other Equity Interest				Total	Non-controlling interest	Total equity
	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			
<b>For the year ended December 31, 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(26)	-	13,053,473	( 13,053,473 )	-	-	-	-	-	-	-
Cash dividends	6(26)	-	-	( 56,214,946 )	-	-	-	-	( 56,214,946 )	-	( 56,214,946 )
Stock dividends	6(26)	7,396,703	-	( 7,396,703 )	-	-	-	-	-	-	-
Employees' stock bonus	6(34)	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 income (loss)	6(27)	-	-	( 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(26)	-	1,731,828	-	-	-	-	-	1,731,828	-	1,731,828
Issuance of restricted stocks	6(21)	3,550,000	17,831,955	-	-	-	( 21,381,955 )	-	-	-	-
Restricted stock revoked due to employees not meeting the vesting condition	6(21)	( 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		-	-	-	-	-	-	-	-	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>
<b>For the year ended December 31, 2016</b>											
Balance at January 1, 2016	\$ 156,382,881	\$ 81,736,538	\$ 93,179,928	\$ 616,227,711	\$ 52,934,288	\$ 7,187,393	\$ -	(\$18,901)	\$ 1,007,629,838	\$ 52,761,241	\$ 1,060,391,079
Appropriations of 2015 earnings:											
Legal reserve	6(26)	-	14,686,698	( 14,686,698 )	-	-	-	-	-	-	-
Cash dividends	6(26)	-	-	( 62,553,153 )	-	-	-	-	( 62,553,153 )	-	( 62,553,153 )
Stock dividends	6(26)	15,638,288	-	( 15,638,288 )	-	-	-	-	-	-	-
Employees' stock bonus	6(34)	1,266,214	9,331,981	-	-	-	-	-	10,598,195	-	10,598,195
Consolidated net income		-	-	148,662,983	-	-	-	-	148,662,983	2,694,181	151,357,164
Other comprehensive income (loss)	6(27)	-	-	47,895	( 60,675,755 )	33,062,341	-	-	( 27,565,519 )	( 3,648,702 )	( 31,214,221 )
Changes in equity of associates and joint ventures accounted for under the equity method	6(9)	-	809,860	( 1,042 )	-	-	-	-	808,818	-	808,818
Adjustments arising from changes in percentage of ownership in subsidiaries	6(27)	-	1,168,232	-	-	-	-	-	1,168,232	-	1,168,232
Increase in non-controlling interests		-	-	-	-	-	-	-	-	3,232,484	3,232,484
Balance at December 31, 2016	<u>\$ 173,287,383</u>	<u>\$ 93,046,611</u>	<u>\$ 107,866,626</u>	<u>\$ 672,059,408</u>	<u>(\$ 7,741,467)</u>	<u>\$ 40,249,734</u>	<u>\$ -</u>	<u>(\$18,901)</u>	<u>\$ 1,078,749,394</u>	<u>\$ 55,039,204</u>	<u>\$ 1,133,788,598</u>

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

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31,	
		2016	2015
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 197,949,745	\$ 199,038,315
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(33)	62,407,931	70,330,897
Amortization	6(33)	878,847	926,227
Provision for doubtful accounts and sales discount		1,009,719	452,769
Impairment loss	6(32)	321,322	2,595,631
Gain on disposal of property, plant and equipment, net	6(32)	( 396,486 )	( 631,716 )
Loss on financial assets or liabilities at fair value through profit or loss, net	6(32)	8,316,405	3,801,694
Share of profit of associates and joint ventures accounted for using equity method	6(9)	( 827,454 )	( 4,908,342 )
Loss (gain) on disposal of investments	6(32)	475,050	( 4,624,214 )
Gain on disposal of non-current assets held for sale		-	( 28,375 )
Interest expense	6(35)	26,549,974	18,864,432
Interest income	6(31)	( 36,236,935 )	( 26,024,974 )
Dividend income	6(31)	( 1,392,767 )	( 895,708 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		( 2,784,565 )	( 7,264,591 )
Notes receivable		533,287	237,111
Accounts receivable		( 133,021,000 )	181,012,131
Accounts receivable due from related parties		( 5,777,569 )	( 1,010,161 )
Other receivables		5,962,954	8,378,661
Inventories		39,839,835	( 55,428,204 )
Prepayments		1,358,792	( 4,028,787 )
Changes in operating liabilities			
Accounts payable		60,405,312	( 81,164,085 )
Accounts payable to related parties		( 254,606 )	( 10,152,066 )
Other payables		20,118,335	( 6,122,819 )
Provisions for liabilities - current		650,154	( 341,997 )
Other current liabilities		( 30,069,029 )	5,403,159
Accrued pension liabilities		( 64,123 )	186,767
Cash inflow generated from operations		215,953,128	288,601,755
Income taxes paid		( 41,932,394 )	( 46,279,121 )
Net cash flows from operating activities		<u>174,020,734</u>	<u>242,322,634</u>

(Continued)



**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	For the years ended December 31,	
		2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6(38)	(\$ 53,204,353 )	(\$ 70,959,526 )
Increase in other financial assets - current		( 56,183,228 )	( 9,487,523 )
Acquisition of available-for-sale financial assets		( 40,479,644 )	( 3,149,709 )
Acquisition of investments accounted for using equity method		( 63,030,417 )	( 7,930,360 )
Acquisition of financial assets at fair value through profit or loss, designated upon initial recognition		( 7,996,500 )	-
Acquisition of financial assets at cost		( 15,093,750 )	( 13,150,561 )
Acquisition of intangible assets	6(12)	-	( 56,610 )
Proceeds from disposal of financial assets carried at cost		7,656	11,316
Proceeds from disposal of available-for-sale financial assets		1,949,812	7,460,257
Proceeds from disposal of investments accounted for using equity method		-	314,656
Proceeds from disposal of property, plant and equipment		2,319,840	4,718,741
Proceeds from disposal of non-current assets held for sale		-	3,433,375
Accounts receivable due from related parties	7	( 4,838 )	( 1,107,647 )
Increase in other financial assets - non-current		( 38,347 )	( 12,677 )
Net cash flow from acquisition of subsidiaries	6(29)	( 5,482,763 )	-
Proceeds from disposal of investments accounted for using equity method		276,400	-
Decrease (increase) in other non-current assets		408,428	( 157,666 )
Increase in other prepayments		( 7,530,037 )	( 368,768 )
Other investing activities		( 605,700 )	425,612
Interest received		27,521,419	20,897,825
Dividends received		5,032,100	3,379,604
Net cash flows used in investing activities		( 212,133,922 )	( 65,739,661 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term loans		101,238,934	( 156,067,298 )
Increase in short-term notes and bills payable		9,000,000	7,000,000
Proceeds from issuing bonds		52,360,000	50,212,659
Repayments of bonds		( 24,918,350 )	( 16,500,000 )
Proceeds from long-term debt		1,086,000	2,745,533
Repayments of long-term debt		( 6,985,906 )	( 8,169,988 )
Increase in other non-current liabilities		464,812	55,315
Cash dividends paid	6(26)	( 62,553,153 )	( 56,214,946 )
Changes in non-controlling interests	6(28)	926,444	450,270
Interest paid		( 18,673,292 )	( 14,689,929 )
Net cash flows from (used in) financing activities		51,945,489	( 191,178,384 )
Net effect of changes in foreign currency exchange rates		( 37,814,721 )	( 7,304,169 )
Net decrease in cash and cash equivalents		( 23,982,420 )	( 21,899,580 )
Cash and cash equivalents at beginning of year		657,137,721	679,037,301
Cash and cash equivalents at end of year		<u>\$ 633,155,301</u>	<u>\$ 657,137,721</u>

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

**Attachment 4: Comparison Table for the Procedures for Acquisition or Disposal of Assets before and after Revision**

<b>Before Amendments</b>	<b>After Amendments</b>
<p>Article 2: Statutory Basis</p> <p>It is based on the content of Article 36 of Securities and Exchange Act (hereafter referred to as “the Act”), Document No. 0910006105 Taiwan Minister of Finance (I) of Financial Supervisory Commission of Executive Yuan (hereafter referred to as “FSC”) on December, 10, 2002, FSC Document No. 0960001463 Taiwan Minister of Finance (I) on January 19, 2007 and FSC Document No. 1010004588 issued on February 13, 2012 <i>Standards for Public Company Acquisition or Disposal of Assets.</i></p>	<p>Article 2: Statutory Basis</p> <p>It is based on the content of Article 36 of Securities and Exchange Act (hereafter referred to as “the Act”), FSC Document No. 1060001296 issued on February 9, 2017 and FSC Document No. 1060004523 issued on February 13, 2017 <i>Standards for Public Company Acquisition or Disposal of Assets.</i></p>
<p>Article 7: Procedures for Acquisition or Disposal of Real Estate or Equipment</p> <p>1. Evaluating Procedure: The Company's assessment of the acquisition or disposal of real estate of equipment shall be conducted by the asset-carrying department for the feasibility assessment report and shall be approved by the management department and the Company's approval authority.</p> <p>2. Operating Procedure: (1) In acquiring or disposing of real estate or equipment, where the transaction amounts to 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of occurrence of the event unless the A&amp;D is made with a government institution, or engages others to build on its own land, or engages others to build on a rental land or the A&amp;D asset is business equipments. The A&amp;D transaction shall further comply with the following provisions: (omitted below)</p>	<p>Article 7: Procedures for Acquisition or Disposal of Real Estate or Equipment</p> <p>1. Evaluating Procedure: The Company's assessment of the acquisition or disposal of real estate of equipment shall be conducted by the asset-carrying department for the feasibility assessment report and shall be approved by the management department and the Company's approval authority.</p> <p>2. Operating Procedure: (1) In acquiring or disposing of real estate or equipment, where the transaction amounts to 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of occurrence of the event unless the A&amp;D is made with a government agency, or engages others to build on its own land, or engages others to build on a rental land or the A&amp;D asset is business equipments. The A&amp;D transaction shall further comply with the following provisions: (omitted below)</p>

Before Amendments	After Amendments
<p>Article 9: Procedure for Acquisition or Disposal of Intangible Assets</p> <p>1. Evaluating Procedure: The Company's assessment of the acquisition or disposal of intangible assets shall be conducted by the demand unit for the feasibility assessment report and shall be reported to the intellectual unit.</p> <p>2. Operating Procedure: In acquiring or disposing of intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government institution, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p style="text-align: center;">(omitted below)</p>	<p>Article 9: Procedure for Acquisition or Disposal of Intangible Assets</p> <p>1. Evaluating Procedure: The Company's assessment of the acquisition or disposal of intangible assets shall be conducted by the demand unit for the feasibility assessment report and shall be reported to the intellectual unit.</p> <p>2. Operating Procedure: In acquiring or disposing of intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p style="text-align: center;">(omitted below)</p>
<p>Article 10: Procedure for Related Party Transactions</p> <p>1. Evaluating and Operating Procedures:</p> <p>(1) The Company's evaluating procedure for acquisition or disposal of assets with a related party shall be handled in accordance with Article 7, Article 8 or Article 9 in accordance with the nature of the assets. Shall the transaction amount shall be more than 10 percent of the Company's total assets in accordance with Article 7, Article 8 or Article 9, the Company shall obtain the appraisal report issued by the professional valuer or the opinion of the accountant.</p> <p>(2) If the assets acquired or disposed of by the Company from or to a related party are real estate, or not real estate but with the transaction amount up to 20 percent of the Company's paid-up capital, or 10 percent of the Company's total assets or above NT\$300 million, except for the trading of government bonds, or bonds with repurchase and resell conditions, purchasing or redemption of domestic money market funds, the Company shall make appraisal in accordance with</p>	<p>Article 10: Procedure for Related Party Transactions</p> <p>1. Evaluating and Operating Procedures:</p> <p>(1) The Company's evaluating procedure for acquisition or disposal of assets with a related party shall be handled in accordance with Article 7, Article 8 or Article 9 in accordance with the nature of the assets. Shall the transaction amount shall be more than 10 percent of the Company's total assets in accordance with Article 7, Article 8 or Article 9, the Company shall obtain the appraisal report issued by the professional valuer or the opinion of the accountant.</p> <p>(2) If the assets acquired or disposed of by the Company from or to a related party are real estate, or not real estate but with the transaction amount up to 20 percent of the Company's paid-up capital, or 10 percent of the Company's total assets or above NT\$300 million, except for the trading of government bonds, or bonds with repurchase and resell conditions, purchasing or buyback of money market funds issued by domestic securities investment trusts, the Company shall</p>

<b>Before Amendments</b>	<b>After Amendments</b>
<p>Section 2(a) of this Article submit related documents to the Audit Committee and the Board.</p> <p>(omitted below)</p>	<p>make appraisal in accordance with Section 2(a) of this Article submit related documents to the Audit Committee and the Board.</p> <p>(omitted below)</p>
<p>Article 12: Procedures for Merger, Division, Acquisition or Transfer of Shares</p> <p>1. Evaluating and Operating Procedures:</p> <p>(1) CPA, attorney, and securities underwriter shall be engaged to schedule project timetable and a task force shall be formed to execute the project according to statutory rules and regulations. Prior to convening the Board of Directors to resolve on the matter, a CPA, attorney, or securities underwriter shall give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p> <p>(omitted below)</p>	<p>Article 12: Procedures for Merger, Division, Acquisition or Transfer of Shares</p> <p>1. Evaluating and Operating Procedures:</p> <p>(1) CPA, attorney, and securities underwriter shall be engaged to schedule project timetable and a task force shall be formed to execute the project according to statutory rules and regulations. Prior to convening the Board of Directors to resolve on the matter, a CPA, attorney, or securities underwriter shall give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. Where the merger takes place between the Company and its fully owned (directly or indirectly) subsidiary, or between two subsidiaries that are fully owned (directly or indirectly) by the Company, the aforementioned opinion on reasonableness is not required.</p> <p>(omitted below)</p>
<p>Article 13: Procedures for Public Disclosure of Information</p> <p>1. Disclosure Timeline (omitted)</p> <p>2. Disclosure Items and Standards</p> <p>(1) Acquisition or disposal of real estate with a related party regardless of its transaction price, or of assets other than real estate with a related party for the transaction price over 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or above NT\$300 million. Trading of government bonds, bonds with call or put options and subscription or redemption of domestic money market funds are excluded herein.</p>	<p>Article 13: Procedures for Public Disclosure of Information</p> <p>1. Disclosure Timeline (omitted)</p> <p>2. Disclosure Items and Standards</p> <p>(1) Acquisition or disposal of real estate with a related party regardless of its transaction price, or of assets other than real estate with a related party for the transaction price over 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or above NT\$300 million. Trading of government bonds, bonds with call or put options and subscription or redemption of money market funds issued by domestic</p>

Before Amendments	After Amendments
<p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>(4) Any transaction, other than those referred in the preceding three subparagraphs including disposal of receivables by a financial institution or investment in mainland China that reaches 20 percent of the Company's paid-in capital or exceeds NT\$300 million. However, the following circumstances shall not apply:</p> <ol style="list-style-type: none"> <li>a. Trading of government bonds.</li> <li>b. Securities trading by investment professionals on foreign or domestic securities exchanges.</li> <li>c. Trading of bonds with call or put options, or subscription or redemption of domestic money market funds issued by securities investment trust companies.</li> <li>d. Where the type of asset acquired or disposed is equipment/machinery for operational use, the trading counterparty is not a related party, and the transaction price is less than NT\$500 million.</li> <li>e. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount does not reach NT\$500 million.</li> <li>f. Real estates acquired under an arrangement for commissioned construction on self-owned or rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is below NT\$500 million.</li> </ol> <p>(5) "Within the preceding year" as used in the preceding four paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly</p>	<p>securities investment trust companies are excluded herein.</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>(4) Acquisition or disposal of equipment/machinery used for operation, the trading counterparty is not a related party, and the transaction amount is above and inclusive of NT\$1 billion.</p> <p>(5) Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>(6) Real estates acquired under an arrangement for commissioned construction on self-owned or rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is above and inclusive of NT\$500 million.</p> <p>(7) Any transaction, other than those referred in the preceding six subparagraphs including disposal of receivables by a financial institution or investment in mainland China that reaches 20 percent of the Company's paid-in capital or exceeds NT\$300 million. However, the following circumstances shall not apply:</p> <ol style="list-style-type: none"> <li>a. Trading of government bonds.</li> <li>b. Securities trading by investment professionals on foreign or domestic securities exchanges, over-the-counter markets, and trading of securities and bonds in the domestic primary market.</li> <li>c. Trading of bonds with call or put options, or subscription or redemption of money market funds issued by domestic securities investment trust companies.</li> </ol> <p>(8) "Within the preceding year" as used in the preceding four paragraph refers to</p>

<b>Before Amendments</b>	<b>After Amendments</b>
<p>announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>a. The amount of any individual transaction.</li> <li>b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>c. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>3. Disclosure Procedure</p> <ol style="list-style-type: none"> <li>(1) (omitted)</li> <li>(2) (omitted)</li> <li>(3) Where an error or omission occurs at the time of public announcement, the Company shall correct the error disclose publicly all the items. (omitted below)</li> </ol>	<p>the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>a. The amount of any individual transaction.</li> <li>b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>c. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>3. Disclosure Procedure</p> <ol style="list-style-type: none"> <li>(1) (omitted)</li> <li>(2) (omitted)</li> <li>(3) Where an error or omission occurs at the time of public announcement, the Company shall correct the error disclose publicly all the items within two days upon acknowledgement. (omitted below)</li> </ol>

## Appendices

### Appendix 1: Rules and Procedures of Shareholders' Meeting

- Article 1 Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
- Article 2 The shareholders or their representatives present shall wear identification and may hand in attendance cards in lieu of signing the attendance book. The number of shares shall be counted based on the certificate of attendance as furnished plus the quantity of shares for which the voting power is exercised via electronic transmission.
- Article 3 The participation and voting by shareholders shall be duly calculated based on the number of shares they hold. If shareholders propose to count the attendance, the chairperson may not proceed. In the resolution, if the attendance has reached the statutory quota, the proposal is considered approved.
- Article 4 The location of shareholders meeting shall be the Company's current location or such other place that is convenient for shareholders to attend. The meeting shall not commence earlier than 9AM or later than 3PM.
- Article 5 If a shareholders' meeting is convened by the board, the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the vice chairman shall preside at the meeting on the chairman's behalf; if the Company does not have a vice chairman or the vice chairman is on leave or cannot perform his duties for some reason, the chairman shall designate one managing director to act on his behalf. If the Company does not have a managing director, the chairman shall designate one director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the meeting chair shall be elected from among the directors present.
- If the meeting is convened by any other person besides the board of directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.
- Article 6 The Company may appoint designated attorneys, certified public accounts or other relevant persons to attend shareholders' meetings. The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.
- Article 7 The Company shall record the shareholders' meetings by audio or video and keep the recording for at least one year.
- Article 8 The chairman shall call the meeting to order at the time scheduled for the meeting, provided, however, that if during such a shareholders' meeting a majority of the total number of outstanding shares ceases to be present, the chairman may postpone the shareholders' meeting to a later time, provided, however, that the maximum number of times a shareholder meeting may be postponed shall be two and total time of postponement shall not exceed one hour. If after two postponements no quorum can yet be constituted but the shareholders present at the meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance

with Section 1 of Article 175 of the Company Act.

If before the end of the meeting and at enough shares become present to constitute a quorum, the chairman may then re-submit the tentative resolutions to the meeting for approval, in accordance with Article 174 of the Company Act.

- Article 9 The agenda for the shareholders' meetings shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The meeting shall be conducted in accordance with the agenda, which may not be altered without a resolution adopted at the shareholders' meeting. The preceding provisions of this Article apply mutatis mutandis to cases where shareholders' meetings are convened by any person(s), other than the Board of Directors, entitled to convene the meeting. Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Extemporaneous Motions) set forth in the preceding provisions of this Article are concluded. If the chairman announces adjournment of the meeting and violates these rules of procedure, the meeting may be continued after electing one of the attendees to be the meeting chairman in accordance to the approval of the majority of the votes represented by the attending shareholders. After the meeting is adjourned, shareholders may not separately elect a chairman and resume the meeting at the original or another venue.
- Article 10 When a shareholder attending the meeting wishes to speak, he or she shall first fill out a speaker's card, specifying therein the major points of his or her speech, account number (or number appeared on attendance pass) and account name. The chairman shall determine sequence of shareholders' speeches. A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. In the case where the contents of a shareholder's speech differ from those specified on the speaker's card, the contents of the actual speech shall prevail. Unless otherwise permitted by the chairman and speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder; the chairman shall stop any such interruptions.
- Article 11 A shareholder may not speak more than twice on the same resolution without the chairman's consent, with five minutes maximum for each speech. The chairman may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.
- Article 12 Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting. If a corporate shareholder designates two or more representatives to attend the meeting, only one of the representatives so designated may speak on any one motion.
- Article 13 The chairman may respond or designate other persons to respond after an attending shareholder's speech.
- Article 14 When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.
- Article 15 The persons for supervising the casting of votes and the counting thereof for



resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder.

- Article 16 During the process of the meeting, the chairman may announce a recess at an appropriate time
- Article 17 Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after inquiry by the chairman.
- Article 18 Unless listed in the handbook, the contents of new proposals shall ask the chairman or master of ceremonies to be read to attending shareholders. If there is an amendment or replacement proposal to the original proposal, the chairman shall decide the sequence of voting for such proposals, provided that if any one of the proposals has been approved, the others shall be deemed vetoed and no further voting is required.
- Article 19 The chairman may direct disciplinary officers (or security personnel) to maintain the order of the Meeting. For identification purposes, they shall wear a badge bearing the words of “disciplinary officer.”
- Article 20 If the matters do not provided this rules, shall pursuant to the Company Act and other laws and regulations.
- Article 21 These rules and procedures shall be effective after ratification at the shareholders’ meetings. The same applies to modifications.

## **Appendix 2: Articles of Incorporation**

### **Chapter I General Provisions**

- Article 1 The Company, organized under the Company Act as a Company limited by shares, and shall be named Hon Hai Precision Industry Co., Ltd. (hereinafter, “the Company”).
- Article 2 The Company’s scope of business is as follows:
1. The development, design, manufacture and sale of computer system equipment, connectors for peripherals, cable assemblies chassis and frames.
  2. The development, design, manufacture and sale of connectors, cable assemblies and parts for computer networking systems, telecommunications, fiber optical and optoelectronic products.
  3. The development, design, manufacture and sale of parts or assembly work for consumer electronic products, automobile and aerospace industry equipment.
  4. The development, design, manufacture and sale of precision molds, mold parts and assemblies and molding equipment.
  5. Metal and plastic parts manufacture and sale.
  6. Metal surface treatment, machining and equipment manufacture and sale.
  7. Machining and hardware tools and equipment business.
  8. The development, design, manufacture and sale of automated machineries and their peripherals.
  9. Computer network and industrial computer software agent development, design, sales and after-sales service.
  10. Measurement and inspection services for machineries, electronic parts and molds.
  11. The development, manufacture, or sale of testing equipment or acting as a sale agent thereof.
  12. Plastic materials and metal materials import and export.
  13. The development, design, manufacture, processing and sale of constructions materials.
  14. Shipping centers and bonded warehouse business.
  15. The development, design, manufacture, sale and sale services of prevention and control of air pollution, noise and vibration control, prevention and control of water pollution, waste disposal, environmental testing and monitoring equipment.
  16. Construction of industrial plants, residential and commercial real estate business.

17. Construction materials and machineries business or as an agent thereof.
18. Illumination and telecommunication system design and installation.
19. Health and safety system and interior remodeling design and installation.
20. Operation of real estate property management, trading broker, lease, contract and agency businesses.
21. The development, design, manufacture, assembly, processing, testing and trading of integrated circuit and the docking stations.
22. The development, design, manufacture, processing and trading of CD-ROM drives.
23. The development, design, manufacture and trading of CD-ROM disks.
24. The manufacture, processing and trading of gold potassium cyanide.
25. Research and development of engineering plastics, blending, mixing, and processing applications, technology transfer and trading.
26. Import and export trade business of the products listed above.
27. CC01020 Wire and cable manufacturing.
28. CC01080 Electronic parts and components manufacturing.
29. CB01020 Office machines manufacturing.
30. CC01010 Power generation, transmission, and distribution equipment manufacturing.
31. CB01010 Machinery and equipment manufacturing.
32. CD01030 Automotive and parts manufacturing.
33. CD01060 Aircraft and parts manufacturing.
34. CA01990 Other non-ferrous metal industries. (Mg)
35. C805050 Industrial plastic products manufacturing.
36. CC01050 Data storage and processing equipment manufacturing.
37. F119010 Electronic materials wholesale trading.
38. F219010 Electronic materials retail sales.
39. CA01090 Aluminum foundry.
40. CA01130 Copper secondary processing.
41. CC01060 Wired communication machinery and equipment manufacturing.
42. CC01070 Wireless communication machinery and equipment manufacturing.
43. CC01101 Restricted telecommunications RF equipment manufacturing.
44. F401021 Restricted telecommunications RF equipment importers.
45. ZZ99999 In addition to licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law.

Article 3 The Company may provide endorsements and guarantees and act as a guarantor.

Article 4 The Company is headquartered in New Taipei City, Taiwan and when necessary may establish branches or subsidiaries at home and abroad according to resolutions by the board of directors.

By a resolution of the board of directors, the Company may engage in domestic or foreign investment in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40 percent of paid-up capital described in Article 13 of the Company Act.

Article 5 Public announcements of the Company shall be made in accordance with the provisions of Article 28 of the Companies Act.

## **Chapter II Shares**

Article 6 The authorized capital of the Company is NT\$180 billion, consisting of 18 billion shares, all of common stock, with a par value of NT\$10 per share. The board of directors is authorized to issue the shares in separate installments as required, of which 500 million shares are reserved for stock options with warrants or corporate bonds for the exercise of stock options. The board of directors is also authorized to issue shares in separate installments as required.

Article 7 The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of, at least three directors, and authenticated by the competent governmental authority upon issuance. Shares issued by the Company need not be in certificate form.

Article 8 All stock processing and related activities, unless otherwise specified by laws and regulations, shall follow the "Guidelines for Stock Operations for Public Companies" issued by the Financial Supervisory Commission.

Article 9 All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

## **Chapter III Shareholders' Meeting**

Article 10 Shareholders' meetings of the Company are of two kinds: regular shareholders meetings and extraordinary shareholders meetings. The regular shareholders' meeting is called once per year within six months of the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.

Electronic voting is one of the voting methods adopted by the Shareholders' Meeting. The voting procedures shall follow the related provisions issued by the competent authorities.

- Article 11 The shareholders' meeting shall be convened by the board of directors. The chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, pursuant to Article 208 of the Company Act, the shareholders' meeting shall be convened by others who have the right to convene a meeting and he or she shall be the chairman. If there is more than one person with the rights to convene a shareholders' meeting, they shall nominate a chairman from among themselves.
- Article 12 For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy.
- Article 13 Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.
- Article 14 Unless otherwise provided by applicable law or regulation, a resolution of the shareholders' meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.
- Article 15 The resolutions of the shareholders meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Company and announced to all shareholders within 20 days.

#### **Chapter IV Board of Directors and the Audit Committee**

- Article 16 The Company shall have seven to eleven directors, with three-year office term. Directors are elected and appointed by the shareholders' meeting from candidates in accordance with the candidate nomination system of Article 192-1 of the Company Act. Candidate(s) may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.
- Article 16-1 Pursuant to Article 14-2 and Article 183 of the Securities and Exchange Act, the Company's board of directors shall include at least two independent directors, and independent directors should be no less than 1/5 of the total number of directors.
- Article 17 The board of directors shall consist of the directors of the Company; the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters. If the chairman of the board is on leave or cannot perform his duties for some reason, the chairman shall designate a director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the directors shall nominate one from among themselves to act on behalf of the chairman.

- Article 18 Except for the first meeting of the board of directors of every new term, which shall be convened pursuant to Article 203 of the Company Act, all other meetings of the board of directors shall be convened by the chairman of the board of directors. Unless otherwise provided for by applicable law or regulation, a resolution of the board of directors shall be adopted by the consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting. Directors shall attend meetings of the board of directors. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting pursuant to Article 205 of the Company Act. Meetings of the board of directors shall be called once per quarter, and extraordinary sessions may be convened only when necessary.
- Article 18-1 In calling a meeting of the board of directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.
- Article 19 The authorities of the board of directors are as follows:
1. The Company's business focus, business and long term development plans shall be decided by the board of directors.
  2. Propose the Company's annual budget plan.
  3. Propose to increase or decrease Company capital.
  4. Propose profit distribution or a plan for recovery of losses.
  5. Propose major contracts.
  6. Propose to revise the Articles of Incorporation.
  7. Set up Company organizational structures and business rules.
  8. Setup, dissolution, re-organization and dismissal of branch offices.
  9. Commissioning and decommissioning of the Company's CEO, deputy general managers and managers.
  10. Convening of the shareholders' meeting.
  11. Propose the acquisition or disposal of the Company's major assets.
  12. Propose external endorsements and guarantees or schedule foreign investments.
  13. Prose to increase the Company's capital plan by dividends, bonus or reserves.
  14. The authorities pursuant to Article 202 of the Company Act.
- Article 20 If there is a shortfall of one-third of directors, the Board of Directors shall convene a shareholders' meeting for the by-election. The term of newly elected directors shall continue for the original term of the directors replaced, except in the case of a comprehensive re-election of all directors.
- Article 21 The resolutions of the meetings of the board of directors shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of

the chairman of the meeting. Such minutes, together with the attendance list, shall be filed and kept at the head office of the Company and announced to all directors within 20 days.

Article 22 (deleted)

Article 23 (deleted)

Article 24 When the term of the board of the directors has expired and no time to hold the re-election, the term of the directors shall be extended until the newly elected directors take office.

The Board of Directors shall set up functional committees. The Committee members' qualifications, duties and related matters shall be defined by the Board of Directors in accordance with the related laws and regulations.

The company sets up the Audit Committee to replace the role of Supervisors. The Audit Committee shall be comprised of all independent directors, whose number shall be no less than three, and one of whom will be the convener.

Article 25 The Board of Directors is authorized to decide the compensation to all directors at a rate consistent with general practices in the industry.

The Board of Directors is authorized to purchase liability insurance for directors, in accordance with a resolution of the board of directors adopted by consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting.

## **Chapter V Manager**

Article 26 The Company may appoint one Chief Executive Officer, whose commissioning, decommissioning and pay rate shall be as pursuant to Article 29 of the Company Act.

## **Chapter VI Accounting**

Article 27 After the close of each fiscal year, the following reports shall be prepared by the board of directors and submitted to the regular shareholders' meeting for ratification.

1. Business Report.
2. Financial Statements.
3. Proposal Concerning Appropriation of Net Profits or Recovering of Losses.

Article 28 If the Company reports a surplus (Surplus refers to profit before tax deducted appropriated employee compensation), 5%-7% of which shall be set aside as employee compensation. If the Company has accumulated losses, the Company shall reserve an amount to offset it.

Employee compensations mentioned in preceding paragraph shall be distributed in stocks or in cash. The payment shall apply to employees in the subsidiaries as well whoever meets criteria developed by the Board of

Directors.

The proceeding two paragraphs shall be based on resolutions by the Board of Directors, and reported to the shareholders' meeting.

Article 28-1: The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:

1. Recovering of Losses.
2. Appropriation of 10% for legal capital reserve.
3. Appropriate or return to Special capital reserve pursuant to applicable law or regulation.

As to the earnings available for appropriation to shareholders including accumulated un-appropriated earnings and earnings available for appropriation of this year, the board of directors is authorized to draft an appropriation plan in accordance with the dividend policy in Section 3 of this Article.

The Company is currently at a developing stage. The Company's dividend distribution policy is subject to the Company's current and future investment environment, fund requirements, competition from local and abroad, and capital budgets, as well as taking into consideration of the interests of shareholders and the long-term financial planning. Shareholder dividends are set aside on accumulated un-appropriated earnings, which shall not be less than 15% of earnings available for appropriation for the year and cash dividends shall not be less 10% of total dividends.

Article 29 The Company may transfer stock to employees at a price that is lower than the actual average price of the shares, or the Company may issue employee stock options at a price that is lower than the common stock closing price of the issue date, pursuant to a resolution approved by the majority of total issued shares represented at the shareholders' meeting and the consent of more than two-thirds of the attending shareholders' voting rights.

## **Chapter VII Supplementary Provisions**

Article 30 Any matters not sufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act and other applicable laws or regulations.

Article 31 These Articles of Incorporation were enacted on January 5, 1974.

The 1<sup>st</sup> amendment was made on January 20, 1974.

The 2<sup>nd</sup> amendment was made on November 30, 1974.

The 3<sup>rd</sup> amendment was made on July 28, 1975.

The 4<sup>th</sup> amendment was made on August 19, 1975.

The 5<sup>th</sup> amendment was made on January 5, 1976.

The 6<sup>th</sup> amendment was made on February 23, 1976.

The 7<sup>th</sup> amendment was made on November 29, 1977.

The 8<sup>th</sup> amendment was made on August 25, 1978.

The 9<sup>th</sup> amendment was made on April 15, 1982.



The 10<sup>th</sup> amendment was made on March 10, 1983.  
The 11<sup>th</sup> amendment was made on April 24, 1984.  
The 12<sup>th</sup> amendment was made on September 1, 1984.  
The 13<sup>th</sup> amendment was made on April 10, 1986.  
The 14<sup>th</sup> amendment was made on December 10, 1986.  
The 15<sup>th</sup> amendment was made on November 6, 1987.  
The 16<sup>th</sup> amendment was made on April 29, 1989.  
The 17<sup>th</sup> amendment was made on October 2, 1989.  
The 18<sup>th</sup> amendment was made on October 24, 1989.  
The 19<sup>th</sup> amendment was made on December 20, 1989.  
The 20<sup>th</sup> amendment was made on December 31, 1989.  
The 21<sup>st</sup> amendment was made on May 19, 1990.  
The 22<sup>nd</sup> amendment was made on April 28, 1991.  
The 23<sup>rd</sup> amendment was made on May 27, 1992.  
The 24<sup>th</sup> amendment was made on June 21, 1993.  
The 25<sup>th</sup> amendment was made on May 21, 1994.  
The 26<sup>th</sup> amendment was made on June 10, 1995.  
The 27<sup>th</sup> amendment was made on June 24, 1996.  
The 28<sup>th</sup> amendment was made on June 21, 1997.  
The 29<sup>th</sup> amendment was made on October 7, 1997.  
The 30<sup>th</sup> amendment was made on June 15, 1998.  
The 31<sup>st</sup> amendment was made on June 1, 1999.  
The 32<sup>nd</sup> amendment was made on June 2, 2000.  
The 33<sup>rd</sup> amendment was made on May 31, 2001.  
The 34<sup>th</sup> amendment was made on June 10, 2002.  
The 35<sup>th</sup> amendment was made on December 24, 2003.  
The 36<sup>th</sup> amendment was made on June 10, 2004.  
The 37<sup>th</sup> amendment was made on June 14, 2005.  
The 38<sup>th</sup> amendment was made on June 14, 2006.  
The 39<sup>th</sup> amendment was made on June 8, 2007.  
The 40<sup>th</sup> amendment was made on June 2, 2008.  
The 41<sup>st</sup> amendment was made on April 16, 2009.  
The 42<sup>nd</sup> amendment was made on June 8, 2010.  
The 43<sup>rd</sup> amendment was made on June 8, 2011.  
The 44<sup>th</sup> amendment was made on June 18, 2012.  
The 45<sup>th</sup> amendment was made on June 26, 2013.  
The 46<sup>th</sup> amendment was made on June 25, 2014.  
The 47<sup>th</sup> Amendment was made on June 25, 2015  
The 48<sup>th</sup> Amendment was made on June 22, 2016.

### Appendix 3: Shareholdings of All Directors

1. Minimum shareholding number and actually registered holding shares of all directors, date as of April 24, 2017

Title	Minimum shares to be held	Shares actually held in share register
Director	160,000,000	1,650,251,435

2. Shares held by all directors, date as of April 24, 2017

Title	Name	Shares held in share register
President	Gou, Tai-ming (Terry Gou)	1,621,848,148
Director	Hon Jin International Investment Co., Ltd. Representative: Lu, Fang-ming	1,853,848
Director	Hon Chiao International Investment Co., Ltd. Representative: Chen, Jen-gwo	26,549,439
Director	Hon Chiao International Investment Co., Ltd. Representative: Mao, Robert	26,549,439
Director	Huang, Qing-yuan	0
Director	Sung, Hsueh-jen	0
Independent Director	Chan, Chi-shean	0
Independent Director	Lee, Kai-fu	0
Independent Director	Fu, Li-chen	0