OFFERING CIRCULAR

US$700,000,000

Hon Hai Precision Industry Co., Ltd.

(incorporated as a company limited by shares in the Republic of China)

Currency-Linked Zero Coupon Convertible Bonds due 2026

Hon Hai Precision Industry Co., Ltd. ("**Hon Hai**" or the "**Company**") will issue the Currency-Linked Zero Coupon Convertible Bonds due 2026 (the "**Bonds**"). Unless the Bonds have been previously redeemed, repurchased and canceled or converted, Hon Hai will redeem the Bonds at the Settlement Equivalent (as defined herein) of 97.97% of the outstanding principal amount thereof at maturity. The Bonds may be redeemed in whole or in part by Hon Hai at any time on or after August 5, 2024, at the Settlement Equivalent of the Early Redemption Price of the outstanding principal amount thereof under the circumstances described in this Offering Circular.

The Bonds will be direct, unconditional, unsubordinated and unsecured obligations of Hon Hai and will rank *pari passu* without any preference or priority among themselves and with all of Hon Hai's other present and future direct, unconditional, unsubordinated and unsecured obligations, except as otherwise provided herein. The Bonds will not bear interest. Holders of the Bonds may convert the Bonds into common shares of Hon Hai (the "**Common Shares**") at any time (subject to certain restrictions) after November 8, 2021 and up to 30 days prior to maturity. The initial conversion price is NT$163.17 per Common Share, subject to adjustment in certain circumstances, with a fixed exchange rate applicable on conversion of Bonds of NT$27.978 = US$1.00. The Common Shares are listed on the Taiwan Stock Exchange Corporation (the "**TWSE**") and application will be made to list the Common Shares issued on conversion of the Bonds on the TWSE. The closing sale price per Common Share on the TWSE on July 29, 2021 was NT$111.00. Unless the Bonds have been previously redeemed, repurchased and canceled or converted, holders of Bonds will also have the right to require Hon Hai to repurchase the Bonds at the Settlement Equivalent of the Early Redemption Price of the outstanding principal amount thereof (i) on August 5, 2024, (ii) at the occurrence of an Event of Delisting (as defined herein) or (iii) at the occurrence of a Change of Control (as defined herein). See "Description of the Bonds — Repurchase of the Bonds".

See "Risk Factors" on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Common Shares issuable upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may only be offered or sold outside the United States in reliance on Regulation S under the Securities Act and outside the Republic of China. For a further description of certain restrictions on the offering and sale of the Bonds, see "Description of the Bonds", "Transfer Restrictions of the Bonds" and "Plan of Distribution".

The Bonds will be evidenced by a global bond (the "**Global Bond**"), and will be fully issued in registered book-entry form without interest coupons and registered in the name of Citivic Nominees Limited as nominee for Citibank Europe plc as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**").

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of this offering (the "**Offering**"), Hon Hai or the Bonds. Prior to this Offering, there has been no market anywhere for the Bonds, or any market outside the ROC for the Common Shares.

Offering Price: 100%

Citigroup **Goldman Sachs** **HSBC**

(arranged in alphabetical order)

Offering Circular dated July 29, 2021

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NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Circular. Neither the Company nor Citigroup Global Markets Limited, Goldman Sachs International and The Hongkong and Shanghai Banking Corporation Limited (the "**Initial Purchasers**") have authorized anyone to provide you with information that is different than or make any representation other than as contained in this Offering Circular in connection with the offering of the Bonds. If anyone provides you with different or inconsistent information, you should not rely on it.

You should assume the information in this Offering Circular is accurate only as of the date of this Offering Circular. The business, financial condition, results of operations and prospects of the Group may have changed since that date. Neither the delivery of this Offering Circular nor any sale of the Bonds made in connection with this Offering Circular will, under any circumstances, constitute a representation or create any implication that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or that there have been no changes in the affairs of the Company since the date of this Offering Circular. Statements contained in this Offering Circular as to the contents of any contract or other documents referred to in this Offering Circular may not set forth all of the terms and conditions of such contracts or other documents.

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Bonds, including the merits and risks involved. Neither the Company nor the Initial Purchasers are making any representation to any purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. This Offering Circular should not be considered as a recommendation or constituting an invitation or offer by the Company that any recipient of this Offering Circular should purchase the Bonds. You should not construe the contents of this Offering Circular as legal, business, accounting or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Bonds.

The Company has furnished the information contained in this Offering Circular. No representation, undertaking or warranty, express or implied, is made by the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers. None of the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers assumes any responsibility for the accuracy or completeness of any of the information contained in this Offering Circular or any other information (financial, legal or otherwise) provided by the Company in connection with the issue of the Bonds or their distribution. Each person receiving this Offering Circular acknowledges that such person has not relied on the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers in connection with such person's investigation of the accuracy of such information or such person's investment decisions.

This Offering Circular may only be used where it is legal to sell the Bonds. None of the Company or the Initial Purchasers is making an offer to sell the Bonds in any jurisdiction where the offer or sale is not permitted. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come must inform themselves about and observe these relevant restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

This Offering Circular is confidential. This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized and any disclosure of any of its contents, without the prior written consent of the Company, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK MiFIR**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In addition, in the UK this Offering Circular is only being distributed and is only directed at persons who are (i) investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), or (ii) persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations, etc.**") of the Financial Promotion Order, or (iii) outside the UK (all such persons together being referred to as "**relevant persons**"). This Offering Circular must not be acted on or relied on by persons who are not relevant persons. The Bonds are only available to relevant persons, and any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

SECTION 309B(1) NOTIFICATION: The Company has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time)), that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representations. This Offering Circular is an offer to sell only the Bonds offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should not assume that the information contained in this Offering Circular is accurate as of any date other than the date of this Offering Circular. The Company's business, financial condition, results of operations and prospects may have changed since that date.

The distribution of this Offering Circular and the offering and sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions of the Bonds". This Offering

Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Initial Purchasers to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This Offering Circular may be used only for the purposes for which it has been published.

CERTAIN DEFINED TERMS, CONVENTIONS AND CURRENCY OF PRESENTATION

Except where the context otherwise requires, all references herein to "Hon Hai", the "Issuer" or the "Company" are references to Hon Hai Precision Industry Co., Ltd. and all references herein to the "Hon Hai Group", the "Group", "we", "us" and "our" are references to Hon Hai Precision Industry Co., Ltd. and its subsidiaries. All references herein to "Taiwan" or the "ROC" are to the island of Taiwan and other areas under the effective control of the Republic of China. All references herein to the "ROC Government" or the "ROC Company Act" are references to the government of the Republic of China and the Company Law of the Republic of China, respectively. All references herein to the "FSC" are to the Financial Supervisory Commission of the ROC. All references herein to "U.S. GAAP" are to accounting principles generally accepted in the United States. All references herein to the "PRC" and "China" are to the People's Republic of China. All references herein to the "TWSE" are to the Taiwan Stock Exchange Corporation.

In this Offering Circular, the common shares, par value of NT$10 per share, of the Company are referred to as the "Common Shares".

Hon Hai publishes its financial statements in New Taiwan Dollars, the lawful currency of the ROC. All references herein to "United States Dollars", "U.S. Dollars" and "US$" are to United States dollars, references to "New Taiwan Dollars", "NT Dollars" and "NT$" are to New Taiwan dollars and references to "RMB" and "Renminbi" are to the lawful currency of the People's Republic of China. Unless otherwise specified, where information contained in this Offering Circular has been translated into U.S. Dollars, it has been so translated, for convenience only, at the rate of NT$28.48 = US$1.00 or at the rate of RMB6.55 = US$1.00, the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2021. All amounts translated into United States Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT$ or US$ amounts referred to herein could have been or could be converted into US$ or NT$, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. For a definition of certain terms used herein, see "Appendix C — Glossary".

FINANCIAL INFORMATION PRESENTATION

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 (collectively, the "**Years Consolidated Financial Information**") and as of and for the three-month periods ended March 31, 2020 and 2021 (collectively, the "**Three Months Consolidated Financial Information**") included in this Offering Circular are presented on a consolidated basis. We prepared our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financing Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission ("**Taiwan IFRS**"), which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 have been audited by our independent auditors. We prepared our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the FSC. Our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021 have been reviewed by our independent auditors. The review report of PricewaterhouseCoopers, Taiwan dated May 14, 2021 relating to the unaudited consolidated interim financial statements was qualified with respect to the effect of adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investee companies accounted for under the equity method, been reviewed by independent auditors. The results of operations for the three-month periods ended March 31, 2021 are not indicative of the results that may be expected for the year ending December 31, 2021.

All amounts in the Years Consolidated Financial Information and the Three Months Consolidated Financial Information expressed in U.S. Dollars are provided solely for the convenience of the reader and, with respect to the Years Consolidated Financial Information and the Three Months Consolidated Financial Information, do not form part of the audited consolidated financial statements or unaudited consolidated interim financial statements. In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offering Circular, statements made in press releases and oral statements that may be made by the Company or its officers, directors or employees acting on behalf of the Company that are not statements of historical fact constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "expects", "believes", "plans", "intends", "estimates", "anticipates", "may", "will", "would" and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:

- the Company's financial condition;
- expected growth in customer demand;
- other expected industry trends;
- anticipated dates for new projects; and
- other matters discussed in this Offering Circular regarding matters that are not historical fact;

are only forecasts. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

These risks, uncertainties and other factors include, among others:

- changes in the industry to which the Group is unable to adapt;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- changes in market prices for the Group's products;
- changes in customer preferences;
- the rate of growth of the Group and its ability to meet the demands relating to its growth;
- changes in the availability and prices of input components the Group needs to manufacture its products;
- changes in currency exchange rates;
- changes in political, social and economic conditions and the regulatory environment in the ROC, PRC and other jurisdictions in which the Group operates its business; and
- other factors beyond the Company's control.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Offering Circular, the Company advises you not to place undue reliance on those statements. The Company is not representing or warranting to you that its actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

Hon Hai is a company limited by shares and incorporated under the ROC Company Act. Certain of the Company's directors and executive officers named in this Offering Circular are residents of the ROC, and some of the Company's assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to enforce judgments obtained outside of the ROC against the Company or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

Any final judgment obtained against the Company in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or Common Shares will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that:

- the court rendering the judgment had jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) the Company was duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on the Company with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) (the "**CBC**") for the remittance out of the ROC of any amounts recovered in respect of such judgment denominated in a currency other than NT dollars.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere herein. Except as otherwise indicated, all financial information set forth herein with respect to the Company has been presented in New Taiwan Dollars in conformity with Taiwan IFRS.

Hon Hai Precision Industry Co., Ltd. is a leading technological solution provider, which has leveraged its expertise in software and hardware to integrate its unique manufacturing systems with emerging technologies. Its products and services are categorized as follows: (i) Components including a broad range of connectors, cable assemblies, enclosures and electronic and other components; (ii) Modules comprising system boards and subassemblies; and (iii) Systems comprising full system assembly of electronic products.

The Company is committed to developing and leading upgrades in the industry in moving from a labor intensive business to an intelligence intensive business, with labor-less factories, automation and the Company's "3+3" strategy categories, including the three industries of EV, digital health and robotics and three applications across AI, semiconductor and new generation communication. The Company also leverages its R&D capabilities and investments in new industries to achieve the restructuring and upgrade towards "Foxconn 3.0". The Company has invested and plans to continue to invest in its key "3+3" strategy.

The Company provides its customers, which are primarily in the 3C industries, with value-added end-to-end product solutions from design and development in the early stage to the final manufacturing and after-sales services. The Company identifies and targets industry leaders in the 3C industries with whom the Company believes it can develop long-term relationships. The Company's key customers include Apple, Cisco, Dell, HP and Huawei. The Company intends to concentrate its sales efforts on increasing penetration of its existing customers, as well as targeting new customers that are emerging industry leaders.

In transforming the business from a labor intensive industry to one that is intelligent intensive, the Company has formulated transformation and upgrade plans, with an advanced deployment of technologies and products in the future. The Company's strategic objective is to provide industry leaders in the 3C industries with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Company calls this strategy "e-enabled Components, Modules, Moves and Services", or "eCMMS".

In terms of EV, the Company has cultivated a global supply chain and is establishing in-house capabilities of key component manufacturing, structural R&D and system integration services. The Company plans to utilize this unique set of proficiencies to consolidate resources vertically from both upstream and downstream, which enables the Company to provide its customers with comprehensive "one-stop" solutions. As a leading technological solution provider for decades that is dedicated to technological innovation, the Company has founded a nonprofit organization to support the MIH EV Open Platform, whose core ethos is to share and propel the sustainable development of automotive ecosystem.

For the year ended December 31, 2020, the Company generated consolidated operating revenue of NT$5,358,023.1 million (US$188,132.8 million) and consolidated net income of NT$114,325.6 million (US$4,014.2 million), representing an increase of 0.28 per cent. and a decrease of 13.5 per cent., respectively, over the same period in the previous year. For the three months ended March 31, 2021, the Company generated consolidated operating revenue of NT$1,347,112.8 million (US$47,300.3 million) and consolidated net income of NT$30,979.3 million (US$1,087.8 million), representing an increase of 45.0 per cent. and 1,340.8 per cent., respectively, over the same period in the previous year.

The Company was incorporated on February 20, 1974. The Company changed its name in 1982 to "Hon Hai Precision Industry Co., Ltd." and registered as a company limited by shares. The Company is registered with the Ministry of Economic Affairs of the ROC under a uniform registration number of 04541302. The Company has been listed on the TWSE since 1991 under the registration number of 2317. In 2004, the Company merged with Ambit Microsystems Corporation, a manufacturer of communications modules and systems such as modules and adaptors for wireless local area network as well as cable modems. In 2005, the mobile phone and smart phone ODM business unit of the Company, FIH Mobile (Stock Code: 2038) was listed on The Stock Exchange of Hong Kong Limited. In 2006, the Company

merged with Premier Image Technology Corporation, a leading manufacturer of camera modules and optical components for digital cameras, projectors and other electronic products in the ROC. In 2016, the Company invested in Sharp Corporation, a Japanese multinational corporation that designs and manufactures electronic products. On July 13, 2017, FIT Hon Teng (incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited) (Stock Code: 6088), a consolidated subsidiary of the Company, was listed on The Stock Exchange of Hong Kong Limited and on June 8, 2018, Fii (Stock Code: 601138), another consolidated subsidiary of the Company, was listed on the Shanghai Stock Exchange. Fii is a world leading professional design and manufacturing service provider of communication network equipment, cloud service equipment, precision tools and industrial robots, providing customers with intelligent manufacturing services for new forms of electronic equipment products centered on the industrial internet platform.

Competitive Advantages

The Company believes that it enjoys several key competitive advantages in its principal activities:

- End-to-end product solution provider and vertically integrated production, offering customized solutions and flexible cost structure
- Strong and reliable integration capabilities for optomechatronics engineering and manufacturing
- Strong research and development capabilities
- Focused strategic cooperation with key industry leaders

Strategy

The Company intends to execute its strategy by further integrating the following key aspects:

- Concentrate on industry leaders and expand product and service portfolio
- Further enhance core engineering skills and vertically integrated production processes to shorten delivery time, accelerate time-to-volume and reduce cost
- Continue expanding global supply chain management capabilities to provide more comprehensive solutions
- Further investment in research and development capabilities to drive innovation
- Expand through potential acquisitions, joint ventures, partnerships and other strategic transactions

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled "Description of the Bonds" in this Offering Circular. Capitalized terms used herein and not defined have the same meaning given to them in this Offering Circular.

Issuer	Hon Hai Precision Industry Co., Ltd. (the "**Issuer**" or "**Hon Hai**")
The Offering	US$700,000,000 aggregate principal amount of the Bonds. The Bonds are being offered outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and outside the Republic of China.
Offering Price	100%.
Issue Date	August 5, 2021.
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on August 5, 2026 at the Settlement Equivalent (as defined herein) of 97.97% of the outstanding principal amount thereof.
Interest	The Bonds will not bear interest.
Ranking	The Bonds will be Hon Hai's direct, unconditional, unsubordinated and unsecured obligations (but subject to a negative pledge, as described below), and will rank *pari passu* without any preference or priority among themselves and with all of Hon Hai's other present and future direct, unconditional, unsubordinated and unsecured obligations.
Conversion Rights	Subject to certain conditions, each holder of the Bonds (a "**Holder**") will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US$200,000 in principal amount or any integral multiple of US$100,000 in excess thereof) into Common Shares, *provided*, *however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Bonds — Conversion" and "Risk Factors — Risks Relating to Ownership of the Bonds and the Common Shares — There are limitations on the ability of Holders of the Bonds to exercise conversion rights". Subject to changes to ROC laws and regulations, Hon Hai shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) issue Common Shares to the converting Holders.
Conversion Price	The initial conversion price will be NT$163.17 per share with a fixed exchange rate applicable on conversion of Bonds of NT$27.978 = US$1.00.

Early Redemption Price	The Early Redemption Price for each US$200,000 in principal amount of the Bonds is determined so that it represents for the Holder a gross yield of -0.41% per annum on a semi-annual basis. See "Description of the Bonds".
Settlement Equivalent	For the relevant Rate Calculation Date (as defined herein) in respect of any U.S. Dollar-denominated amount payable in respect of the Bonds, means such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate (as defined herein), and then converted back to U.S. Dollar amount using the applicable Prevailing Rate (as defined herein) on such date.
Repurchase at the Option of Holder	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder's option, to require the Issuer to repurchase in U.S. Dollars all (or any portion of the principal amount thereof which is US$200,000 or any integral multiple of US$100,000 in excess thereof) of such Holder's Bonds, on August 5, 2024 at a repurchase price equal to the Settlement Equivalent of the Early Redemption Price.
Repurchase at the Option of the Holder upon a Change of Control	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder's option, to require the Issuer to repurchase all of such Holder's Bonds at the Settlement Equivalent of the Early Redemption Price upon the occurrence of a Change of Control (as defined herein). See "Description of the Bonds — Repurchase of the Bonds".
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Common Shares cease to be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder's option, to require the Issuer to repurchase all of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding such delisting at the Settlement Equivalent of the Early Redemption Price.
Redemption at the Option of the Issuer	The Bonds may be redeemed at the option of the Issuer, in whole or in part, at any time on or after August 5, 2024 at the Settlement Equivalent of the Early Redemption Price on the Redemption Date (as defined herein); provided that (a) the Closing Price (as defined herein) of the Common Shares on each Trading Day during a period of 20 consecutive Trading Days, the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Conversion Price multiplied by the Early Redemption Price and divided by US$200,000, and (b) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and canceled or converted, at the Settlement Equivalent of Early Redemption Price on the Redemption Date; *provided* that the applicable Redemption Date does not fall within a Closed Period.

Additional Amounts	Payment of principal on the Bonds will be made without withholding for or on account of certain taxes of the ROC or such other jurisdiction in which Hon Hai is then organized or resident for tax purposes to the extent set forth under "Description of the Bonds — Additional Amounts".
Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which Hon Hai is then organized or resident for tax purposes, Hon Hai becomes obligated to pay Additional Amounts, the Bonds may be redeemed at the option of Hon Hai, in whole but not in part, at the Settlement Equivalent of Early Redemption Price; provided that such right cannot be exercised earlier than 45 days prior to the first date on which Hon Hai would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds.
Negative Pledge	Subject to certain exceptions, Hon Hai will not, and will procure that none of its Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by a majority of the outstanding registered holders of the Bonds. See "Description of the Bonds — Certain Covenants — Negative Pledge".
Governing Law	The Indenture and the Bonds will be governed by and construed in accordance with the laws of the State of New York.
Trustee	Citicorp International Limited
Principal Paying Agent, Conversion Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 or any integral multiple of US$100,000 in excess thereof. The Bonds will be represented by the Global Bond. On the closing date of the Offering, Hon Hai will deliver the Global Bond to Citibank Europe plc as common depositary. If (i) at any time the Common Depositary advises the Issuer in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Issuer within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Issuer in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Issuer shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.

Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, Hon Hai or the Bonds. Prior to this Offering, there has been no market anywhere for the Bonds, or any market outside the ROC for the Common Shares. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000.
Lock-ups	Hon Hai has agreed with the Initial Purchasers that during a period beginning at the date and time the Purchase Agreement (as defined herein) was executed and delivered to the parties thereto and ending 90 days from the date hereof, it will not directly or indirectly offer, sell, contract to sell, pledge, lend, grant any option to purchase, make any short sale or otherwise dispose of, any securities of Hon Hai that are substantially similar to the Bonds or any Common Shares, subject to certain exceptions, without the prior written consent of the Initial Purchasers (the "**Company Lock-up Agreement**"). The exemptions to the Company Lock-up Agreement allow Hon Hai to (i) implement stock splits and employee stock option plans, (ii) issue the conversion shares upon the conversion of the currency linked zero coupon convertible bonds due 2022 issued by the Company in November 2017, (iii) issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding at the execution time of the Purchase Agreement, and (iv) sell the Bonds to the Initial Purchasers pursuant to the Purchase Agreement and issue the Common Shares upon the conversion of the Bonds; and allow any disposition by Hon Hai or any of its Affiliates or any person in privity with Hon Hai or any of its Affiliates due to group reorganization.
Trading Market for the Common Shares	The only trading market for the Common Shares is the TWSE. The Common Shares have been listed on the TWSE since 1991.
Use of Proceeds	The gross proceeds to Hon Hai from the Offering will be US$700.0 million before deducting the Initial Purchaser's discounts and estimated offering expenses payable by Hon Hai. Hon Hai intends to use the net proceeds from the Offering to purchase raw materials overseas.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about August 5, 2021.

SUMMARY FINANCIAL DATA

The following tables present our summary financial information. The summary financial information as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 set forth below should be read in conjunction with, our audited consolidated financial statements included elsewhere in this Offering Circular. The summary financial information as of and for the three-month periods ended March 31, 2020 and 2021 are derived from our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021. Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 have been prepared and presented in accordance with the Taiwan IFRS. Our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021 have been prepared and presented in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by FSC.

With effect from January 1, 2019, the Group has adopted Taiwan IFRS 16 where the Group is required to adjust certain amounts recognised in the consolidated financial statements. Please refer to Note 3(1) of the Group's consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of Taiwan IFRS 16. The Group has adopted Taiwan IFRS 16 from January 1, 2019 without requiring any restatement of the corresponding figures of the prior period before January 1, 2019. The Group's consolidated financial information as at and for the year ended December 2018 may not be directly comparable against the Group's consolidated financial information on or after January 1, 2019. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against the Group's consolidated financial figures prior to January 1, 2019 and when evaluating the Group's financial position and performance.

The Company has not quantified or identified the impact of the differences between Taiwan IFRS and U.S. GAAP, see "Risk Factors — Risks Relating to the ROC — Financial reporting requirements and accounting standards in the ROC differ from those of other countries".

The Company maintains its accounting records and prepares its financial statements in New Taiwan ("**NT**") dollars. The United States ("**US**") dollar amounts disclosed in the financial statements are presented solely for the convenience of the reader and were translated to US dollars at the rate of NT$ 28.48: US$1.00, the noon buying rate in effect as of Federal Reserve Board on March 31, 2021, as uniformly applied for all the financial statements accounts. Such translation amounts are unaudited and should not be construed as a representation that the NT dollar amounts represent, have been, or could in the future be converted into US dollars at that or any other rate.

Audited Consolidated Statement of Comprehensive Income

	For the Year Ended December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$ (unaudited)*
	(in thousands, except per share data)			
Operating revenue	5,293,803,022	5,342,810,995	5,358,023,065	188,132,832
Operating costs	(4,961,773,118)	(5,026,942,570)	(5,055,104,342)	(177,496,641)
Net operating margin	332,029,904	315,868,425	302,918,723	10,636,191
Operating expenses				
Selling expenses	(32,690,093)	(30,129,101)	(27,243,581)	(956,587)
General and administrative expenses	(78,762,853)	(79,294,289)	(70,737,182)	(2,483,749)
Research and development expenses	(84,430,083)	(91,548,149)	(94,110,512)	(3,304,442)
Total operating expenses	(195,883,029)	(200,971,539)	(192,091,275)	(6,744,778)
Operating profit	136,146,875	114,896,886	110,827,448	3,891,413

	For the Year Ended December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
	(in thousands, except per share data)			
Non-operating income and expenses				
Interest income	60,400,627	75,819,336	47,934,352	1,683,088
Other income	14,014,872	14,560,918	11,887,533	417,399
Other gains and losses	(997,809)	5,567,450	7,314,465	256,828
Finance costs	(55,544,836)	(66,600,696)	(40,317,013)	(1,415,625)
Share of profit of associates and joint ventures accounted for under equity method	16,231,713	19,634,053	7,825,449	274,770
Total non-operating income and expenses	34,104,567	48,981,061	34,644,786	1,216,460
Profit before income tax	170,251,442	163,877,947	145,472,234	5,107,873
Income tax expense	(40,416,017)	(31,692,859)	(31,146,647)	(1,093,632)
Profit for the year	129,835,425	132,185,088	114,325,587	4,014,241
Other comprehensive income				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans	217,476	(7,404)	(47,626)	(1,672)
Unrealized (loss) gain on valuation of financial assets at fair value through other comprehensive income	(4,687,419)	4,720,616	19,999,225	702,220
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	(12,700,347)	3,028,377	497,658	17,474
Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	(43,495)	1,481	9,525	334
Other comprehensive (loss) income that will not be reclassified to profit or loss	(17,213,785)	7,743,070	20,458,782	718,356
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Financial statements translation differences of foreign operations	(11,603,077)	(51,266,536)	(15,380,879)	(540,059)
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	(121,619)	(1,096,843)	2,094,637	73,548
Other comprehensive (loss) income that will be reclassified to profit or loss	(11,724,696)	(52,363,379)	(13,286,242)	(466,511)
Other comprehensive (loss) income for the year	(28,938,481)	(44,620,309)	7,172,540	251,845
Total comprehensive income for the year	100,896,944	87,564,779	121,498,127	4,266,086

	For the Year Ended December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$ (unaudited)*
		(in thousands, except per share data)		
Profit attributable to:				
Owners of the parent	129,065,105	115,308,736	101,794,807	3,574,256
Non-controlling interest	770,320	16,876,352	12,530,780	439,985
	129,835,425	132,185,088	114,325,587	4,014,241
Comprehensive income attributable to:				
Owners of the parent	103,120,437	74,706,141	112,236,799	3,940,899
Non-controlling interest	(2,223,493)	12,858,638	9,261,328	325,187
	100,896,944	87,564,779	121,498,127	4,266,086
Earnings per share (in dollars)				
Basic earnings per share	8.03	8.32	7.34	0.26
Diluted earnings per share	7.95	8.24	7.28	0.26

Audited Consolidated Balance Sheet

	As of December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$ (unaudited)*
		(in thousands)		
Current assets				
Cash and cash equivalents	788,662,325	857,864,362	1,232,794,015	43,286,307
Financial assets at fair value through profit or loss — current	5,016,365	2,952,049	6,285,594	220,702
Financial assets at amortised cost, net-current	78,944,139	52,954,877	38,783,566	1,361,782
Accounts receivable, net	1,009,364,152	987,278,438	903,070,230	31,708,926
Accounts receivable — related parties	48,172,268	44,754,604	39,414,164	1,383,924
Other receivables	73,996,367	67,854,299	58,237,719	2,044,864
Other receivables — related parties	57,705,076	24,366,543	5,285,774	185,596
Inventory	625,025,794	515,772,177	582,113,735	20,439,387
Prepayments	19,596,260	19,895,574	18,664,505	655,355
Total current assets	2,706,482,746	2,573,692,923	2,884,649,302	101,286,843
Non-current assets				
Financial assets at fair value through profit or loss — non-current	74,887,490	82,660,725	83,681,186	2,938,244
Financial assets at fair value through other comprehensive income — non-current	66,634,395	68,807,217	87,074,089	3,057,377
Financial assets at amortised cost, net — non-current	16,240,740	12,528,569	18,786,030	659,622
Investments accounted for using equity method	160,316,664	168,631,642	175,199,441	6,151,666
Property, plant and equipment	277,860,012	287,523,253	287,091,978	10,080,477
Right-of-use assets	—	46,760,340	46,268,685	1,624,603
Investment property — net	2,523,963	4,419,912	11,083,273	389,160
Intangible assets	30,357,025	41,380,353	44,760,083	1,571,632
Deferred income tax assets	16,229,304	18,701,465	19,946,852	700,381
Other non-current assets	29,823,088	15,835,299	15,734,671	552,481
Total non-current assets	674,872,681	747,248,775	789,626,288	27,725,643
Total assets	3,381,355,427	3,320,941,698	3,674,275,590	129,012,486
Current liabilities				
Short-term loans	532,315,377	380,866,050	446,422,100	15,674,933
Short-term notes and bills payable	19,283,228	30,528,296	39,101,893	1,372,960
Financial liabilities at fair value through profit or loss — current	651,426	1,881,685	2,291,221	80,450
Accounts payable	905,682,505	870,678,994	1,037,912,518	36,443,558
Accounts payable — related parties	42,340,749	35,509,127	27,680,046	971,912
Other payables	228,985,231	217,732,729	220,177,215	7,730,942
Current tax liabilities	36,400,157	18,531,289	24,004,318	842,848
Provisions for liabilities — current	5,562,147	2,725,293	4,136,517	145,243
Current lease liabilities	—	7,131,038	9,058,272	318,057
Other current liabilities	38,550,736	91,876,860	105,473,211	3,703,413
Total current liabilities	1,809,861,556	1,657,461,361	1,916,257,311	67,284,316

	As of December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
		(in thousands)		
Non-current liabilities				
Financial liabilities at fair value through profit or loss-non-current	22,835	—	—	—
Corporate bonds payable	178,794,577	175,505,344	201,691,563	7,081,866
Long-term loans	36,483,791	41,576,252	31,593,197	1,109,312
Provisions for liabilities — non-current	—	369,953	407,915	14,323
Deferred income tax liabilities	14,649,508	18,261,509	18,805,119	660,292
Non-current lease liabilities	—	20,875,343	20,390,740	715,967
Other non-current liabilities	9,109,272	7,266,519	10,983,336	385,651
Total non-current liabilities	239,059,983	263,854,920	283,871,870	9,967,411
Total liabilities	2,048,921,539	1,921,316,281	2,200,129,181	77,251,727
Equity				
Equity attributable to owners of parent				
Share capital				
Common stock	138,629,906	138,629,906	138,629,906	4,867,623
Capital reserve				
Capital surplus	190,018,456	199,383,371	202,645,942	7,115,477
Retained earnings				
Legal reserve	136,606,364	149,512,874	161,043,748	5,654,626
Special reserve	27,539,310	60,309,927	102,451,720	3,597,322
Unappropriated retained earnings	779,409,554	794,615,182	779,836,380	27,381,895
Other equity interest				
Other equity interest	(60,309,927)	(102,451,720)	(87,315,126)	(3,065,840)
Treasury stocks	(15,194)	(15,194)	(15,194)	(533)
Equity attributable to owners of the parent	1,211,878,469	1,239,984,346	1,297,277,376	45,550,470
Non-controlling interest	120,555,419	159,641,071	176,869,033	6,210,289
Total equity	1,332,433,888	1,399,625,417	1,474,146,409	51,760,759
Total liabilities and equity	3,381,355,427	3,320,941,698	3,674,275,590	129,012,486

Unaudited Consolidated Statement of Comprehensive Income

	For the Three Months Ended March 31,		
	2020	2021	
	NT$	*NT$* *(unaudited)*	*US$*
		(in thousands, except per share data)	
Operating revenue	929,133,122	1,347,112,823	47,300,310
Operating costs	(887,319,417)	(1,268,980,278)	(44,556,892)
Net operating margin	41,813,705	78,132,545	2,743,418
Operating expenses			
Selling expenses	(5,317,386)	(7,883,901)	(276,822)
General and administrative expenses	(15,035,999)	(18,820,414)	(660,829)
Research and development expenses	(16,935,217)	(23,858,634)	(837,733)
Total operating expenses	(37,288,602)	(50,562,949)	(1,775,384)
Operating profit	4,525,103	27,569,596	968,034
Non-operating income and expenses			
Interest income	13,650,041	8,403,342	295,061
Other income	928,139	7,183,226	252,220
Other gains and losses	441,377	482,401	16,938
Finance costs	(12,259,616)	(6,747,233)	(236,911)

	For the Three Months Ended March 31,		
	2020	2021	
	NT$	*NT$*	*US$*
		(unaudited)	
		(in thousands, except per share data)	
Share of profit of associates and joint ventures accounted for under equity method	(1,386,624)	2,297,741	80,679
Total non-operating income and expenses	1,373,317	11,619,477	407,987
Profit before income tax	5,898,420	39,189,073	1,376,021
Income tax expense	(3,748,209)	(8,209,821)	(288,266)
Profit for the period	2,150,211	30,979,252	1,087,755
Other comprehensive income			
Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
Unrealized (loss) gain on valuation of financial assets at fair value through other comprehensive income	(13,982,967)	7,203,475	252,931
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	(4,025,455)	5,296,271	185,964
Other comprehensive (loss) income that will not be reclassified to profit or loss	(18,008,422)	12,499,746	438,895
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
Financial statements translation differences of foreign operations	(12,232,021)	(2,180,487)	(76,562)
Share of other comprehensive loss of associates and joint ventures accounted for under equity method	(1,607,757)	(4,002,504)	(104,537)
Other comprehensive loss that will be reclassified to profit or loss	(13,839,778)	(6,182,991)	(217,099)
Other comprehensive (loss) income for the period	(31,848,200)	6,316,755	221,796
Total comprehensive (loss) income for the period	(29,697,989)	37,296,007	1,309,551
Profit attributable to:			
Owners of the parent	2,083,851	28,161,775	988,827
Non-controlling interest	66,360	2,817,477	98,928
	2,150,211	30,979,252	1,087,755
Comprehensive income (loss) attributable to:			
Owners of the parent	(28,240,413)	34,211,928	1,201,262
Non-controlling interest	(1,457,576)	3,084,079	108,289
	(29,697,989)	37,296,007	1,309,551
Earnings per share (in dollars)			
Basic earnings per share	0.15	2.03	0.07
Diluted earnings per share	0.15	2.02	0.07

Unaudited Consolidated Balance Sheet

	As of March 31,		
	2020	2021	
	NT$	*NT$*	*US$*
		(in thousands)	
		(unaudited)	
Current assets			
Cash and cash equivalents	931,434,201	1,112,174,828	39,051,082
Financial assets at fair value through profit or loss — current	4,473,572	4,252,850	149,328
Financial assets at amortised cost, net-current	85,679,240	46,576,058	1,635,395
Accounts receivable, net	622,757,155	745,890,062	26,189,960
Accounts receivable — related parties	28,434,024	29,730,781	1,043,918
Other receivables	54,272,273	52,187,919	1,832,441
Other receivables — related parties	15,581,029	8,250,774	289,704
Inventory	532,240,638	634,982,642	22,295,739
Prepayments	22,061,968	20,348,193	714,473
Total current assets	2,296,934,100	2,654,394,107	93,202,040
Non-current assets			
Financial assets at fair value through profit or loss — non-current	85,621,808	91,901,881	3,226,892
Financial assets at fair value through other comprehensive income -non-current	55,656,421	95,167,908	3,341,570
Financial assets at amortised cost, net — non-current	12,961,571	17,780,954	624,331
Investments accounted for using equity method	161,601,359	171,861,057	6,034,447
Property, plant and equipment	277,457,385	289,515,599	10,165,576
Right-of-use assets	46,660,405	45,650,542	1,602,898
Investment property — net	6,609,334	10,689,636	375,338
Intangible assets	41,431,581	46,375,679	1,628,360
Deferred income tax assets	21,670,233	21,133,944	742,063
Other non-current assets	16,072,142	11,880,286	417,145
Total non-current assets	725,742,239	801,957,486	28,158,620
Total assets	3,022,676,339	3,456,351,593	121,360,660
Current liabilities			
Short-term loans	374,192,060	464,506,666	16,309,925
Short-term notes and bills payable	29,963,286	43,945,617	1,543,034
Financial liabilities at fair value through profit or loss — current	3,293,360	2,010,356	70,588
Accounts payable	642,432,165	780,891,457	27,418,942
Accounts payable — related parties	24,190,374	22,892,268	803,801
Other payables	186,863,873	248,018,907	8,708,529
Current tax liabilities	16,138,489	24,641,380	865,217
Provisions for liabilities — current	2,547,523	3,706,271	130,136
Current lease liabilities	7,760,497	8,963,534	314,731
Other current liabilities	91,542,791	119,595,089	4,199,266
Total current liabilities	1,378,924,418	1,719,171,545	60,364,169
Non-current liabilities			
Financial liabilities at fair value through profit or loss-non-current	97,237	—	—
Corporate bonds payable	181,738,717	200,396,220	7,036,384
Long-term loans	41,417,060	30,256,144	1,062,364
Provisions for liabilities — non-current	372,575	408,165	14,332
Deferred income tax liabilities	21,482,440	21,910,058	769,314
Non-current lease liabilities	21,929,457	19,649,996	689,958
Other non-current liabilities	6,592,199	10,490,038	368,330
Total non-current liabilities	273,629,685	283,110,621	9,940,682
Total liabilities	1,652,554,103	2,002,282,166	70,304,851

	As of March 31,		
	2020	**2021**	
	NT$	*NT$*	*US$*
		(in thousands)	
		(unaudited)	
Equity			
Equity attributable to owners of parent			
Share capital			
Common stock	138,629,906	138,629,906	4,867,623
Capital reserve			
Capital surplus	199,880,666	200,484,799	7,039,494
Retained earnings			
Legal reserve	149,512,874	161,043,748	5,654,626
Special reserve	60,309,927	102,451,720	3,597,322
Unappropriated retained earnings	796,693,801	752,676,042	26,428,232
Other equity interest			
Other equity interest	(132,776,068)	(81,263,647)	(2,853,359)
Treasury stocks	(15,194)	(15,194)	(533)
Equity attributable to owners of the parent	1,212,235,912	1,274,007,374	44,733,405
Non-controlling interest	157,886,324	180,062,053	6,322,404
Total equity	1,370,122,236	1,454,069,427	51,055,809
Total liabilities and equity	3,022,676,339	3,456,351,593	121,360,660

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The businesses, financial condition or results of operations of the Company could be materially adversely affected by any of these risks. Any potential investor in, and purchaser of, the Bonds should also pay particular attention to the fact that the Company and to a large extent its activities are governed by the legal, regulatory and business environments in the ROC and the PRC, which in some respects may be different from those which prevail in other jurisdictions. The Company believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Additional considerations and uncertainties not presently known to the Company, or which the Company currently deems immaterial, may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies that may or may not occur, and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Company believes may be material for the purpose of assessing the market risks associated with an investment in the Bonds are also described below. The Company believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Company to repay principal, pay interest or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Company does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

Risks Relating to our Industry and Business

Volatile global economic conditions may put downward pressure on demand for our products and services.

The global credit markets have experienced significant volatility in recent years, including due to the global financial and economic crisis, trade tensions (such as between the United States and the PRC), the novel coronavirus 2019 ("**COVID-19**") pandemic, the UK's official exit from the European Union, or Brexit, and volatility in the PRC stock market, which have led to less favorable financial and economic conditions.

In particular, there have been recent escalations in trade tensions between the United States and the PRC. Such tensions have continued to put pressure on manufacturers and supply chains in light of tariffs and potential tariffs imposed both by the United States and PRC. Since July 2018, the imposition of tariffs by the United States on products from the PRC from July 2018, and retaliation by the PRC have caused even greater volatility in the global markets. Although "phase one" of an economic and trade agreement between the United States and the PRC went into effect in February 2020 as an initial step towards resolving the trade disputes between the two countries, the effect of such an agreement and the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the global economy and the industries that the Group operates in remain uncertain. For example, the computer, communication, and consumer electronics ("**3C**") and technology industry continues to face strong headwinds from the intensifying trade war between the United States and the PRC.

Moreover, U.S. export control laws may cause disruptions to the global supply chain, including for non-U.S. companies. Under U.S. export control laws, companies (including non-U.S. companies) purchasing, exporting, re-exporting, and/or transferring among others, any item in the United States, any U.S.-origin item wherever located, any foreign-made commodity that incorporates certain U.S.-origin commodities or that is bundled or commingled with certain U.S.-origin software, must comply with provisions in such U.S. export laws. For example, import tariffs were imposed by the United States in August 2018 on certain equipment used in semiconductor manufacturing and other types of devices manufactured by the Group in the PRC. On August 17, 2020, the U.S. Department of Commerce Bureau of Industry and Security published a final rule that amended the Final Direct Product Rule released on May 15, 2020 which tightened its export control measures against Huawei Technology Co. Ltd. and its affiliates (collectively, "**Huawei**"), including an expanded license requirement for providing Huawei with items subject to the U.S. export control jurisdiction. Manufacturing companies, which are involved in Huawei's supply chain, may need to re-evaluate their direct and indirect business relationships, such as possibly suspending or terminating supply arrangements with certain customers, including Huawei, in order for them to comply with such laws. In April 2021, the U.S. Department of Commerce Bureau of Industry and Security added seven PRC supercomputing entities to export ban list, citing national security concerns. In November 2020, the U.S. administration issued U.S. Executive Order 13959, which was subsequently amended in January 2021 and replaced by U.S. Executive Order 14032 in June 2021, prohibiting investments by any U.S. persons in publicly traded securities of certain Chinese companies that are deemed operating in China's defense or surveillance technology sectors. Furthermore, measures adopted by an affected country to counteract the impact of another country's actions or regulations could lead to significant legal liability to multinational corporations, including our own. For example, in January 2021, the PRC adopted a blocking statute that, among other matters, entitles Chinese entities incurring damages from a multinational's compliance with foreign laws to seek civil remedies. In June 2021, the PRC adopted the Anti-Foreign Sanctions Law to provide a legal basis for China to adopt countermeasures against certain foreign sanctions. These may in turn have an impact on the Group's business, reputation and results of operations.

While we have kept a close eye on the developments of the U.S.-PRC trade war, there remains considerable uncertainty as to the timeline and outcome of the trade negotiations between the United States and PRC, including due to the new administration in the United States since January 2021. Failure of trade negotiations between the United States and PRC or between the Group and its customers may lead to considerable additional costs and unexpected consequences on the Group's business, which could, in turn, harm its business and growth prospects. Whilst relocating production may be a solution to mitigate the impact of tariffs, the assembly of electronic products requires great direct labor input, which means that relocating production overseas could affect the profit margin of such products. Furthermore, these volatile market conditions may continue to adversely affect the demand for 3C products. The potential sustained decrease and slowdown in demand for such products may inflict significant downward pressure on prices. As a result, the companies producing these products may reduce their orders with us or the prices with which these orders are placed. The reduced orders and prices may lead to reduced revenues, lower profit margins and/or loss of market share, any of which would have a material adverse effect on our business, reputation, financial condition and results of operations.

The ongoing COVID-19 pandemic and its global spread, especially the recent surge of COVID-19 cases in India and the ROC, continues to add more uncertainty and volatility in global markets, as it remains unknown when the ongoing situation will improve and whether any effective containment of the spread of the COVID-19, whether through vaccinations or otherwise, can be achieved. The ongoing COVID-19 pandemic has also resulted in increased travel restrictions and extended delay or suspension of some business activities on a global level. Although we have worked closely with the public health authorities and the local governments of the countries or regions where we operate and taken certain preventive measures to protect the health and safety of our employees, the COVID-19 pandemic still impacted on some of our overseas operations in India, Malaysia, Mexico, Vietnam, etc. Please refer to "— We are vulnerable to any force majeure events or natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings". If the economies of the PRC, Europe, the United States or the Group's other core markets recover at a slow rate, or experience a double-dip recession, the prospects of the 3C industry may be adversely affected, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations, such as the Group's operations in India, Malaysia, Mexico, Vietnam, etc. However, even if the global economy experiences a full recovery, it cannot be assured that the demand for the Group's products and services will increase, or even be maintained.

The Group is dependent on its key customers for a substantial portion of its revenues.

The Group is dependent on its key customers, such as Apple, Cisco, Dell, HP and Huawei, for a substantial portion of its total sales. The loss of these customers, or a reduction or delay in their orders would have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group's ability to maintain close relationships with its key customers is essential to its strategy and to the ongoing growth of its business. The Group has entered into corporate purchase agreements with certain of its key customers, but such agreements do not obligate the customers to place an order with the Group. The precise terms for each shipment, such as pricing and quantities, are normally confirmed at the time each order is placed.

In addition, the Group generates significant accounts receivable in connection with providing manufacturing services to its key customers. If our customers were to become insolvent or otherwise were unable to pay for the manufacturing services provided by us, this could have a material adverse effect on our business, financial condition, results of operations and future prospects and could cause the price of the Bonds and the Common Shares to decline.

Our business is dependent on the 3C industries.

Substantially all of our products and services, whether in the form of components, modules or full system assembly, have end-use applications in the 3C industries. Our products and services can be further categorized as smart consumer electronics, cloud and network products, computing products and components and others. Accordingly, our financial performance is dependent upon the continued growth of the 3C industries. These industries have historically been characterized by rapid technological changes and short product life cycles. In recent years, there have been significant shifts in demand for 3C products. Continuing adverse market conditions may lead our customers to implement cost-cutting strategies such as consolidating with other manufacturers, reducing production and increasing price pressure on suppliers.

As a result of the foregoing, any loss of certain key customers, decline in sales, or decline in operating margins could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Group and could cause the price of the Bonds and the Common Shares to decline.

The Group operates in a highly competitive industry.

The markets for the Group's products are highly competitive with intense pressure on prices and margins for its products. The Group competes against many manufacturers, certain of which may have better research and development capabilities, greater global logistics, financial, marketing and other resources than the Group. Furthermore, certain PRC manufacturers and suppliers have substantially expanded their manufacturing capacities and advanced their technologies and deepened their relations with clients, stiffening competition in the industry. Current and prospective customers of the Group also evaluate the Group's capabilities against the merits of manufacturing products internally.

There can be no assurance that the Group will be able to compete successfully in these markets and failure to do so could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Group and could cause the price of the Bonds and the Common Shares to fall. See "Business — Competition".

Our overall margins may fluctuate as a result of the product mix manufactured by the Group.

Our overall margins may fluctuate due to the fact that our products are mixed manufactured. For example, if we generate a greater proportion of our revenues from the sales of systems, which typically generate higher revenues but lower margins compared to components or modules, our overall margins may decline accordingly. In addition, the gross margin of any given product of the Group could depend on the product's end market, total volume manufactured, complexity of manufacturing processes, stage of lifecycle, maturity of technology, and other factors. As a result, a change in product mix may decrease the gross margins and operating margins of the Group, which could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Group and could cause the price of the Bonds and the Common Shares to fall.

Risks associated with the political and economic situation in Hong Kong and the PRC.

On July 1, 1997, Hong Kong became a Special Administrative Region of the PRC. Although Hong Kong has thus far enjoyed a high degree of legislative, judicial and economic autonomy since the handover, there can be no assurance that there will not be a change in regulatory oversight as a consequence of the change of PRC policies over Hong Kong or, should such change occur, our business, financial condition and the results of its operations will not be adversely affected.

In 2019, the anti-extradition bill protests and disruption to businesses and transportation in various parts of Hong Kong caused a decrease in consumer spending and had affected inbound tourism to Hong Kong, which in turn had a negative impact on the Hong Kong economy. Civil unrest is outside the control of the Group and there can be no assurance that further large-scale protests will not occur in the future or as to the authorities' reactions to any such protests if they recur and the effect on the stability of the political and economic conditions in the region.

On June 30, 2020, the Standing Committee of the National People's Congress of the PRC passed the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (the "**Hong Kong National Security Law**"). The Hong Kong National Security Law took effect on June 30, 2020. The Government of the Hong Kong Special Administrative Region stated in a press release that the purposes of the Hong Kong National Security Law are to prevent, curb and punish specific crimes threatening national security, maintain prosperity and stability of Hong Kong and to protect the lawful rights and interests of residents of Hong Kong. On July 14, 2020, the U.S. President signed into law the Hong Kong Autonomy Act (the "**Autonomy Act**"), which authorizes the U.S. President to impose sanctions on non-U.S. persons, entities, and financial institutions relating to the situation in Hong Kong. The same day, the U.S. President issued Executive Order 13936, The President's Executive Order on Hong Kong Normalization ("**EO 13936**"), declaring a U.S. national emergency relating to the situation in Hong Kong, authorizing new Hong Kong related sanctions, and normalizing aspects of the U.S. relationship with Hong Kong. Under EO 13936, among other things, existing license exceptions and preferential status for Hong Kong under relevant U.S. export control laws and regulations are revoked. Any economic sanctions imposed under the Autonomy Act or EO 13936, trade-related restrictions under EO 13936, and other sanctions may have an impact on our operations, including technological innovation. The United States has imposed sanctions on and suspended collaborations with a number of Chinese companies and universities by including these entities in the Entity List and the Unverified List of the Bureau of Industry and Security of the U.S. Department of Commerce. If U.S.-China relations continue to deteriorate, there is a possibility that sanctions could be imposed on our business partners in the future. Any sanctions, damages, costs, obligations or liabilities in respect of these matters could have a material adverse effect on our business, reputation and/or the results of our operations and financial condition.

Certain foreign governments and organizations have also taken actions in response to or expressed concern regarding the enactment of the Hong Kong National Security Law and related legislations (including those related to the Hong Kong electoral system), and there is a risk that actions that have been or may be taken will have a detrimental effect, either directly or indirectly, on Hong Kong. At this stage, it is difficult to predict whether any trade restrictions and sanctions will adversely affect our business, reputation, financial condition and results of operations.

FIH Mobile Limited (Stock Code: 2038) ("**FIH Mobile**") and FIT Hon Teng Limited (Stock Code: 6088) ("**FIT Hon Teng**") are both consolidated subsidiaries of the Company that are listed on The Stock Exchange of Hong Kong Limited. Foxconn Industrial Internet Co., Ltd (Stock Code: 601138) ("**Fii**"), another consolidated subsidiary of the Company, is listed on the Shanghai Stock Exchange. Accordingly, our operations and performance may be affected by the prevailing general political and economic circumstances in Hong Kong and the PRC. Future political or economic instability or volatility or a sustained slowdown in domestic economic activities, may affect the Hong Kong stock market and the general economy and consequently, the value of our investments in this segment and in turn, our business, performance, financial condition and results of operations may be adversely affected.

We may not be able to develop successfully new production processes and new products and enter into new industries.

We are continually evaluating new products and production processes and seeking potential opportunities to enter into new industries to diversify our business. We believe that our future success will depend in part upon our ability to develop new production processes and to develop and market new products which meet evolving customers' needs, maintain technological leadership and successfully anticipate or respond to technological changes in production processes in a cost-effective manner and on a timely basis. Moreover, our ability to take the lead in and secure a key position in new emerging industries, such as electronic vehicles ("**EV**"), digital health, robotics artificial intelligence ("**AI**"), semiconductor and new generation communication, will have a significant impact on our long-term business growth. The Group has co-operated and intends to continue co-operating with 3C industry leaders and to continue engaging in and funding research and development activities to keep pace with market developments and remain competitive. There can be no assurance that we will be successful in developing new production processes and new products and entering into new industries. Furthermore, while we are committed to developing the three industries of EV, digital health and robotics and three applications across AI, semiconductor and new generation communication, there is no guarantee that our investments in these industries may succeed. Failure to do so could have a material adverse effect on our business, financial condition, results of operations, reputation and future prospects and could cause the price of the Bonds and the Common Shares to fall.

The markets in which our customers compete are characterized by rapidly changing technology, innovation, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product life cycles. Our success is highly dependent on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, this could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The Group generally does not obtain long-term volume purchase commitments from customers, and therefore, cancelations, reductions in production quantities and delays in production by customers could adversely affect the Group's operating results.

The Group generally does not obtain firm, long-term purchase commitments from customers. See "Business — Sales and Marketing". Some of our customers have in the past experienced and may in the future experience significant decreases in demand for their products and services. The uncertain economic conditions in several of the markets in which our customers operate have prompted and may prompt some of the customers to cancel orders, delay the delivery of some of the products that the Group manufactures or place purchase orders for fewer products than the Group previously anticipated.

Cancelations, reductions or delay of orders by customers may:

- adversely affect our operating results by reducing the volumes of products that the Group manufactures for its customers;
- delay or eliminate recoupment of our expenditures for inventory purchased in preparation for customer orders; and
- lower our asset utilization, which would affect our results of operations.

We are subject to risks arising from international operations.

We conduct our international operations in Asia, Europe and Americas, and we continue to consider additional opportunities to make foreign acquisitions and construct new foreign facilities. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates, earnings expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property.

For example, the PRC is in the process of drafting its own export control laws. The Export Control Law of the PRC, has been adopted at the 22nd Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on October 17, 2020, and has come into force on December 1, 2020. While the scope of such export control laws and regulations is still currently in discussion, we may have to reorganize our operations to comply with such laws and regulations nor is there any guarantee that we may be able to respond to such laws and regulations in a timely fashion. Additionally, to respond to customer requirements, we may further expand internationally. If we pursue expansion in these locations, we may incur additional capital expenditures and experience higher labor costs in these locations. We cannot assure investors that we will realize the anticipated strategic benefits of our international operations or that our international operations will contribute positively to, and not adversely affect, our business and operating results.

The Group may be exposed to risks as a result of strategic acquisitions, joint ventures, reorganization, investments or business cooperation arrangements.

The Group has made, and will continue to consider making strategic acquisitions, investments or entering into joint ventures or business cooperation arrangements to expand or enhance its business. We may also reorganize the Company or its operations. In November, 2020, the Company set up Foxtron Vehicle Technologies Co. Ltd., a 51% owned joint venture with Hua-Chuang Automobile Information Technical Center Co., Ltd. ("**Haitec**") to develop an automobile related business. On September 28, 2020, the Company announced that it entered into a strategic alliance agreement with Yageo Group to co-develop key electronic components and share research and development resources to serve the need of the Group's global end customers. In addition, the Company has recently announced several investments in the semiconductor industry. For example, on May 5, 2021, the Company announced that it would form a joint venture named Xsemi with Yageo Group to facilitate the development of our semiconductor business. On June 10, 2021, the Company announced that its subsidiary Foxconn Singapore Pte Ltd had acquired the shares of Dagang NeXchange Berhad. On June 15, 2021, the Company's wholly owned subsidiary Hyield Venture Capital Co., Ltd. participated in a private placement launched by Giga Solar Materials Corporation.

The Company has also recently announced several strategic business ventures in the automotive industry. For example, on January 13, 2021, the Company announced that its wholly owned subsidiary, FuTaiHua Industrial (ShenZhen) Limited, signed a strategic cooperation agreement with Zhejiang Geely Holding Group to set up a joint venture company to provide customized consulting services relating to vehicles, automotive parts, intelligent drive systems and automotive ecosystem platforms to global automotive enterprises and ridesharing companies. On February 24, 2021, the Company announced that it has entered into a memorandum of understanding with Fisker Inc. to develop EV and on May 13, 2021, the Company and Fisker Group Inc. entered into framework agreements supporting Project "PEAR" (or Personal Electric Automotive Revolution), a program to develop EV. On May 18, 2021, Stellantis NV, the Company and FIH Mobile announced the signing of a non-binding memorandum of understanding to form Mobile Drive, a 50/50 joint venture aimed at improving in-vehicle user experiences by utilizing advanced consumer electronics, human-machine interfaces and services. On May 31, 2021, the Company and PTT Public Company Limited announced the signing of a memorandum of understanding to set up an open platform for producing EV and key components to serve the EV sector in Thailand.

Strategic acquisitions, joint ventures, reorganization, investments or business cooperation arrangements in the EV and semiconductor industry may divert our management's time and resources from our normal daily operations, disrupt our ongoing businesses and strain our liquidity and capital resources. In addition, our success in our expansion into the EV and semiconductor industry depends on our ability to succeed in the relevant legal, regulatory, economic, environmental, social and political conditions which we have little control over. If we fail to develop and implement policies and strategies that will be effective in EV and semiconductor industry, our business, financial condition and results of operations would be materially and adversely affected.

Additionally, on September 4, 2020, the Company announced that it will enter into a share swap for shares in Far EasTone Telecommunications Co. Ltd. ("**FET**"), such that for every one common share in Asia Pacific Telecom Co., Ltd. ("**APT**", TWSE Stock Code: 3682) owned by the Company, it will be exchanged for 0.1551447 newly issued common shares by FET (the "**Share Swap**"). The total number of underlying APT common shares to be exchanged for in the Share Swap is 527,524,409 common shares, such that after the completion of the Share Swap, the Company will acquire 81,842,616 common shares in FET. The Share Swap is expected to be completed on June 30, 2022, subject to the satisfaction of all conditions precedent in the agreement for the Share Swap and obtaining the required regulatory approvals. There is no assurance that the Share Swap will close at the expected timeframe, or at all.

It cannot be assured that the Group will be able to (1) identify future strategic acquisitions, investments or business cooperation arrangements, (2) consummate or implement these potential acquisitions, investments and business cooperation arrangements on favorable terms, if at all, or (3) if consummated or implemented, successfully integrate the operations and management of future acquisitions, investments and business cooperation arrangements. Such acquisitions, investments, joint ventures, business cooperation arrangements and reorganization involve significant risks, which could have a material adverse effect on the Group, including:

- Financial risks, such as (1) the payment of a purchase price that exceeds the future value that the Group may realize from the acquired operations and businesses; (2) an increase in the Group's expenses and working capital requirements, which could reduce the Group's return on invested capital; (3) potential known and unknown liabilities of the acquired businesses, particularly where the acquired business is loss-making; (4) costs associated with integrating acquired operations and businesses; (5) the dilutive effect of the issuance of additional equity securities; (6) the incurrence of additional debt; (7) the financial impact of valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and indefinite life intangibles and the amortization of other intangible assets; (8) possible adverse tax and accounting effects; (9) special risks associated with joint ventures or problems with joint venture partners, including, among other things, dissimilar business interests or one or more of the partners experiencing financial difficulties, and (10) the risk that the Group may spend substantial amounts on any such acquisition and as a result assume significant contractual and other obligations with no guaranteed levels of revenue or that the Group may have to exit at loss.

- Operating risks, such as (1) the diversion of management's attention to the assimilation of the businesses to be acquired; (2) the risk that the acquired businesses will fail to maintain the quality of services that the Group has historically provided; (3) the need to integrate or implement financial and other systems and add management resources; (4) the need to maintain customer, supplier or other favorable business relationships of acquired operations and restructure or terminate unfavorable relationships; (5) the potential for deficiencies in internal controls of the acquired operations; (6) the Group may not be able to attract and retain the employees necessary to support the acquired businesses; (7) unforeseen difficulties (including any unanticipated liabilities) in the acquired operations; and (8) the impact on the Group of any unionized work force it may acquire or any labor disruptions that might occur.

Any future strategic acquisitions, joint ventures, reorganization, investments or business cooperation arrangements may not be successful, may harm the Group's reputation and business, may not benefit the Group's business strategy, may not generate sufficient revenues to offset the associated acquisition costs and additional operating expenses or may not otherwise result in the intended benefits. See "— Negative publicity may have a material adverse effect on our business".

We are vulnerable to any force majeure events or natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings.

Many places in the world have in the past experienced and/or are currently experiencing outbreaks or pandemic of contagious diseases, such as severe acute respiratory syndrome, avian flu or COVID-19, which may potentially result in travel restrictions, quarantine of infected employees and related persons and/or other measures, and if uncontrolled, may materially affect our operations at one or more of our facilities. We cannot predict the impact of any future outbreak or pandemic could have on our business and results of operations.

The ongoing COVID-19 pandemic has resulted in restrictions on travel and public transport and prolonged closures of workplaces. For example, in February 2020, we had shut certain major factories in China due to the outbreak of COVID-19 in China. In May 2021, we implemented certain employee contact control policies, including working in shifts, in different areas and from home and other social distancing policies in response to the surge of COVID-19 cases in the ROC. The severity, magnitude and duration of the COVID-19 pandemic, the public health responses and its economic consequences, as well as the availability of effective treatments and vaccines and impact of variants of the virus, remain uncertain, rapidly changing and difficult to predict. The pandemic's impact on our operations and financial performance, as well as its impact on our ability to successfully execute our business strategies and initiatives, also remains uncertain and difficult to predict.

In particular, the COVID-19 pandemic and related public health responses has adversely affected our business and results of operations in several ways, including but not limited to interruption of the operations of global supply chains and those of our suppliers, creating downward pressure on demand from our customers and production delays in our products due to mandatory closures of our production facilities. In addition, our production operations require adequate supplies of key components and raw materials, such as chips and copper, on a timely basis and at commercially reasonable prices. The COVID-19 pandemic affecting the countries or regions of origin or processing of such key components and raw materials may significantly disrupt the availability of such key components and raw materials or increase their prices. Our revenue and earnings could decline if we are unable to obtain adequate supplies of the necessary key components and raw materials in a timely manner or if there are significant increases in the costs of key components and raw materials.

Continuation or escalation of the COVID-19 pandemic may have a material adverse effect on the global economy and on the Group's operations and business. For example, the number of reported COVID-19 cases in India has increased significantly since the end of March 2021 and the number of reported COVID-19 cases in Malaysia, Mexico, the ROC and Vietnam continued to grow since April 2021. If the COVID-19 cases in India, Malaysia, Mexico, the ROC, Vietnam and other countries or regions where we operate continue to grow, the manufacturing capacity of our factories in these areas could be materially and adversely affected. In addition, we have worked closely with the public health authorities and the local governments of the countries or regions where we operate and taken certain preventive measures, including disinfection routines, self-quarantine, mandatory hygienic practices, safe distancing in the workplace and establishing an epidemic management team to protect the health and safety of our employees and to closely monitor and respond to the pandemic. As the pandemic is still ongoing and may worsen, there is significant uncertainty surrounding its developments and impact, including whether the current epidemic or continued spread of COVID-19 will cause an economic slowdown or a global recession. Further, the COVID-19 pandemic has caused us to modify our business practices, including but not limited to health management of employees, customers and suppliers, management of production inventory, and supply chain risk management. There can be no assurance that such preventive measures will be sufficient to mitigate the risks posed by COVID-19 or other epidemics in the future, and our ability to perform critical functions could be adversely affected, which could in turn materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by a severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant production facilities (including the closure of our production facilities to prevent the spread of the disease) and materially and adversely affect our business, financial condition and results of operations. The spread of any severe communicable disease in the PRC or elsewhere may also affect the operations of our customers and suppliers, which could materially and adversely affect us.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC could also materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall gross domestic product ("**GDP**") growth of the PRC. A portion of our revenue is currently derived from our PRC operations, and any labor shortages on a contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect our business, financial condition and results of operations.

Additionally, certain areas in the ROC and the PRC are susceptible to droughts, earthquakes, typhoons and floods. Some earthquakes and floods in recent years caused damage to production facilities and adversely affected the operations of many companies. Although we did not experience significant structural damage to the facilities, there can be no assurance that future earthquakes and floods will not occur and result in major damage to the facilities, which could have a material adverse effect on our results of operations. Our major production facilities, as well as many of our suppliers and customers, are located in the ROC and the PRC. If the customers are affected by any droughts, earthquakes, typhoons, floods or other natural disasters, demand for our products could decline. If the suppliers are affected, our production schedule could be interrupted or delayed. For example, since early 2021, the ROC has experienced drought that has adversely impacted and may continuously adversely impact, directly or indirectly, our production capability and the supply of key components and/or raw materials in the ROC (and potentially elsewhere) because the Group's and its suppliers' manufacturing process requires water. Moreover, in July 2021, certain regions of the PRC (including those where the Group currently operates, such as Zhengzhou) were impacted by major flooding caused by heavy rainfall. Such natural disasters may result in a severe disruption of our operations and we may not be able to reallocate resources or relocate its operations in a timely manner in response to the disruption of operations. As a result, a major drought, earthquake, typhoon, flood, natural disaster, climate change or other disruptive events in the ROC, the PRC or elsewhere could severely disrupt the normal operations of our business and have a material adverse effect on the financial condition and results of operations. Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and the stability of the global economy, which in turn, could have a material adverse effect on the business, financial condition and results of operations of the Group. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, operational continuity of the Group may be materially and adversely affected, and our reputation may be negatively impacted.

Our profitability and results of operations could be materially and adversely affected by increases in labor costs and changes in labor laws and regulations.

A large majority of our workforce is employed in the PRC. The average wages paid for manufacturing labor in the PRC have increased recently and may continue to increase as a result of the enactment of new labor laws and social development. The enactment of labor laws and regulations may further impose liabilities on employers and stipulate stricter requirements in terms of signing labor contracts, paying remuneration and dissolving labor contracts. In addition, there has been a growing shortage of workers in the PRC who are willing to work in factories. These may put upward pressure on wages, increase our operating costs and expenses and lower the cost competitiveness of our operations in the PRC.

If we are unable to offset the increase in labor costs, or pass along these increased labor costs to our customers, our profitability and results of operations could be materially and adversely affected.

The Group's success depends on its ability to retain and attract its key and qualified personnel.

We are highly dependent on principal members of our management staff. The loss of the services of some of these key management staff could have a material adverse effect on our business, results of operations and future prospects and could cause the price of the Bonds or the Common Shares to fall. For instance, on June 21, 2019, the Company's founder, Mr. Gou Tai-Ming retired as Chairman of the Board of Directors and General Manager of the Company with effect from June 21, 2019. We do not maintain insurance with respect to the loss of any of our key personnel.

Our success also depends to a significant extent upon, among other factors, the continued service of our skilled technical, managerial and sales personnel and on our ability to continue to attract, retain and motivate such personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations and future prospects and could cause the price of the Bonds and the Common Shares to fall.

The Group may not be able to effectively manage its rapid expansion.

The Group has significantly expanded its production in recent years and, in conjunction with the execution of its strategy, expects to continue to expand its production in terms of geography, industry, customers and end-user products. To manage its growth, the Group must continue to improve its managerial, technical, operational and other resources, and to implement an effective management information system. In order to fund our ongoing operations, research and development and our future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. For example, in October 2020, certain subsidiaries of the Group issued medium term notes, which were guaranteed by the Company. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, equipment vendors and other third parties. There can be no assurance that the Group will not experience issues, such as shortages of raw materials and components, capacity constraints, construction delays, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. In particular, failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its customer base and to maintain the quality of its production. There can be no assurance that such expansion plans will not adversely affect our existing operations, which could have a material adverse effect on our business, financial condition, results of operations and future prospects and could cause the price of the Bonds and the Common Shares to fall.

We may incur high costs in our expansion into new businesses.

As we continually expand the supply of new products and services, we expect to incur higher costs, including research and development costs, as we scale the "learning curve" in these new products and services. These new products and services may require expertise that we are still building up, and higher costs may be incurred due to efforts to gather the required expertise and capabilities. These higher costs may result in lower profit margins for the Group, which in turn may adversely affect our business, financial condition, results of operations and prospects. In addition, there is no guarantee that we will be successful in expanding into these new businesses.

Raw materials and components shortages may adversely affect the Group.

The Group purchases certain of its key components and raw materials from certain suppliers which the Group believes currently satisfy the Group's quality standards and can meet our volume requirements. However, the capacity of certain of these suppliers may not be equipped to cope with increases in orders by the Group. COVID-19 pandemic occurring within the country or region of these suppliers may significantly disrupt the availability of such key components and raw materials or increase their prices. Our revenue and earnings could decline if we are unable to obtain adequate supplies of the key components and raw materials in a timely manner or if there are significant increases in the costs of key components and raw materials.

The Group is also required, in certain circumstances, to source certain key components from suppliers who have been qualified by its customers, and the Group may not be able to obtain satisfactory alternative sources of supply should such qualified suppliers be unable to supply the Group's requirements in the future. There can be no assurance that shortages of supply will not occur in the future and that, if such shortages occur, the Group will be able to obtain an adequate alternative supply of components and raw materials to meet production demand.

Principal shareholder's interests may differ from those of other shareholders.

As of April 25, 2021, Mr. Gou Tai-Ming directly or indirectly owned or controlled in aggregate 9.68 per cent. of the Company's outstanding shares. Whilst Mr. Gou Tai-Ming has retired as Chairman of the Board of Directors and General Manager of the Company with effect from June 22, 2019, as a principal shareholder and member of the Board of Directors, he has significant influence on certain of our decisions and transactions. We cannot assure that Mr. Gou Tai-Ming, in his capacity as a principal shareholder and member of the Board of Directors, will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the interests of the holders of the Bonds.

We may be subject to increased taxes.

As our overseas operations continue to expand, we may become subject to further taxation as a result of our overseas business in the future. Taxation by these and other overseas tax authorities could increase our effective tax rate, and there can be no assurance that such taxation would not adversely affect the cash flow and results of our operations in the future. In addition, the tax rates applicable to us could be rescinded or changed. In order to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment, a lot of countries and jurisdictions have been working with OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("**BEPS**"). In June 2021, the finance ministers of the G7 nations gave further support to the OECD's "Programme of Work" by announcing an agreement on the principles of the two pillar solution to tackle the challenges of taxing a digitalized economy. Pillar One focused on the allocation of group profits among taxing jurisdictions based on a market-based concept, rather than the historical "permanent establishment" concept. Pillar Two, among other things, introduced a global minimum tax rate of at least 15% (determined on a country by country basis). Following the G7 announcement, the OECD/G20 Inclusive Framework announced on July 1, 2021 broad agreement on the two pillars. However, the ultimate impact of the proposals remains subject to agreement on certain design elements of the two pillars which the OECD/G20 Inclusive Framework aims to complete by October 2021. The OECD/G20 Inclusive Framework will work towards an agreement and the release of an implementation plan, which will contemplate bringing Pillar Two into law in 2022 with an effective date in 2023. In addition, the Cayman Islands introduced an Economic Substance Law effective from January 1, 2019 that requires an increased level of substance to be maintained in the Cayman Islands for all companies that fall within the new regime. Similar new laws have been introduced in The Bahamas, the British Virgin Islands and other similar offshore jurisdictions. As we are a multinational corporation with many offshore entities incorporated in these jurisdictions, BEPS and the proposals would have a significant impact on our global tax strategies and we may need to restructure the business to be in compliance with these new laws, which in turn may result in an increase in our tax expenses. We may also be required to reorganize our operations should there be a change in tax policies in view of the increase in our tax expenses and operating cost. There is no assurance that we may be able to respond in a timely manner which could then have a material adverse impact on our financial condition and results of operation, nor is there any assurance that such reorganization may succeed.

We may be involved in intellectual property disputes, especially in the new industries that we recently entered into.

From time to time, we receive communications from third parties asserting patent rights to our products and we enter into discussions with such third parties as to their respective positions and the terms of any possible licenses in respect of such patent rights. For example, in March 2019, Microsoft Corporation and Microsoft Licensing, GP commenced proceedings in California against the Company over a dispute regarding royalty payments under a patent licensing agreement. While this dispute had reached a settlement in September 2020, we may still from time to time encounter future litigation initiated by our customers or third parties based on claims that our technologies, processes or products infringe the intellectual property rights of others or that we have misappropriated the trade secrets of others, especially in the new industries that we recently entered into. We may also initiate lawsuits to defend the ownership of our inventions and our trade secrets. It is difficult, if not impossible, to predict how such disputes would be resolved. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, we may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products.

Although we actively seek to protect the intellectual property rights for our products and our internal know-how, there can be no assurance that claims will not be brought by our customers or third parties against us, our customers or our suppliers from time to time. If a claim is asserted, we cannot assure that any resolution of the claim would permit us to continue to use the technologies or processes or produce the product in question on commercially reasonable terms. Any adverse outcome from such litigation, or the time and cost of the proceedings themselves, could materially and adversely affect our business, financial condition, results of operation and future prospects and could cause the price of the Bonds and the Common Shares to fall. In addition, there is a risk that some of our confidential information could be compromised by disclosure during intellectual property litigation. Furthermore, there could be public announcements throughout the course of intellectual property litigation or proceedings as to the results of hearings, motions or other interim proceedings or developments in the litigation, any of which could materially harm our reputation. See “Business — Intellectual Property” and “— Litigation”.

Our trade secrets, patents and other non-patented intellectual property are valuable assets, and if we are unable to protect them from infringement, our business prospects may be harmed.

Our success will depend in part on our ability to obtain and maintain trade secret and patent protection for our technologies, know-how, processes and products as well as to successfully enforce our intellectual properties and to defend our intellectual properties against third-party challenges. We will only be able to protect our technologies, processes and products from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our issued patents and our applications do not adequately describe, enable or otherwise provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or commercializing these technologies, processes and products. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may only provide limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

As some of our technologies and production methods or processes involve unpatented, proprietary technology, processes, know-how or data, we also rely on trade secret protection and agreements to safeguard our interests. However, trade secrets are difficult to protect. While we use reasonable efforts to protect our trade secrets, including requiring our employees, contractors or scientific and other advisors to enter into confidentiality agreements with us, such persons may unintentionally or willfully disclose our information to competitors. In addition, confidentiality agreements may not be enforceable or provide an adequate remedy in the event of unauthorized use or disclosure. It may be difficult to prove or enforce a claim that a third party had illegally obtained and used our trade secrets. Our enforcement efforts would be expensive and time consuming and the outcome would be unpredictable. In addition, our competitors may independently develop technologies that are equivalent to our trade secrets, in which case, we would not be entitled to enforce our trade secrets and our business could be harmed.

We may experience losses on inventories.

We have purchased property damage and transportation insurance coverage from independent third party insurers to cover our inventories, including finished goods delivered to, and stored in, our hubs as part of our global logistics delivery network. Our insurance policies have a maximum coverage limit. Although we can raise the maximum coverage limit of our insurance policies by providing notice to our insurers, any delay in notification to the insurers of an increase in our inventory level or a new inventory storage location could result in us being under-insured.

In addition, price fluctuations in our raw materials, components and finalized goods could also result in a decline in the net realizable value of our inventory, which may require inventory write-downs. If there is a shortage of raw materials or components, the prices of such raw materials or components may increase, which could have an adverse effect on our profit margin to the extent it is not able to pass along these higher costs to our customers.

We are subject to operational risks.

The operation of manufacturing facilities involves many risks and hazards, including fire, the breakdown, failure or substandard performance of equipment, delays in delivery of equipment or improper installation or operation of equipment, difficulties in upgrading or expanding existing facilities in changing manufacturing line technologies, capacity constraints, labor disturbances, natural disasters such as earthquakes, floods, droughts or typhoons, environmental hazards and industrial accidents. We generally do not maintain any business interruption insurance. The occurrence of any such or other problems could materially and adversely affect our manufacturing plants and cause delivery delays and reduced output, which would have a material and adverse effect on our business, financial condition and results of operations.

Our production facilities are subject to risks of water and power shortages.

Our production facilities consume substantial amounts of water and power in manufacturing processes. Any water or power shortage, brownout or blackout for a significant period of time may disrupt our manufacturing, and as a result, could have a material adverse impact on our business, financial condition and results of operations. For example, many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to fully satisfy the increased demand for electricity which have been driven by continual economic growth and persistent hot weather. Local governments have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. In addition, our production facilities in the ROC, Vietnam, India and Brazil may also suffer water, gas and power shortages. For example, in May 2021, the ROC government imposed power cuts following a spike in electricity demand amid a heatwave, a drought and failure at a power plant. To date, our operations in ROC, PRC, Vietnam, India and Brazil have not been affected by such administrative measures. However, there is no assurance that our operations in such countries will not be affected by water, gas and power shortages or such administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. If such event occurs, our business, results of operations, financial condition and future prospects could be materially and adversely affected.

If we fail to comply with environmental regulations, we may be subject to adverse publicity and potentially monetary damages and fines.

Some of our manufacturing processes employ or create various hazardous substances, including waste water. We are subject to a variety of regulations in the relevant jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in our manufacturing processes. It cannot be assured that we will never fail to comply with these environmental regulations. Any failure to comply with present and future regulations or obtain the necessary certificates and permits could subject the Group to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject the Group to monetary fines and liabilities or other government sanctions. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business, financial condition and results of operations.

In accordance with the environmental regulations, we are required to obtain relevant licenses and permits. Our ability to obtain, maintain, or renew such licenses and permits on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. It cannot be assured that we will be successful and timely in obtaining the required approvals, licenses and permits. Failure to do so may subject the Group to monetary fines and liabilities or government sanctions.

We have adopted various environmental, social, governance ("**ESG**") measures in response to the increase in ESG rules and regulations applicable to our business, and we expect this trend to continue. Given the pace of evolution of rules and regulations in these areas, we may not be able to timely comply with such rules and regulations fully or at all. We are also exposed to the risk that future ESG rules and regulations may adversely affect our ability to run our business, face increased compliance costs or take other steps which may have a material adverse effect on our business, financial condition and results of operations.

If our cybersecurity is breached, we may incur significant legal and financial exposure, damage to our reputation and a loss of confidence of our customers.

Our business involves the storage and transmission of confidential information relating to us as well as our customer and suppliers, and any breach in our cybersecurity system could expose us to a risk of loss, the improper use or disclosure of such information, ensuing potential liability or litigation, any of which could harm our reputation and adversely affect our business. Although there has been no material instance where an unauthorized party was able to obtain access to our data or our customers' data and despite our efforts in advocating and announcing certain cybersecurity policies to our employees and utilizing anti-virus and firewall systems which are regularly updated, there can be no assurance that we will not be vulnerable to cyber-attacks in the future. If an actual or perceived breach of our cybersecurity occurs or if there is an adverse perception of our cybersecurity measures in the market, we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties, damage to our reputation and a loss of confidence in our customers, which could have an adverse effect on our business, financial condition and results of operations.

The Group needs to observe certain financial and other covenants under the terms of its debt obligations, of which the failure to comply would put the Group in default under such debt obligations.

The Group is a party to a number of loans and other agreements relating to the incurrence of debt, many of which include financial covenants and broad default provisions. The financial covenants primarily include current ratios, leverage ratios, interest coverage ratios and other technical requirements, which, in general, govern our existing long-term debt and debt that we may incur in the future. Such financial covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to maintain compliance with such financial covenants. In addition, any global or regional economic deterioration may cause the Group to incur significant net losses or force the Group to assume considerable liabilities, which would adversely impact our ability to comply with the financial covenants of our outstanding loans. If the relevant creditors decline to grant waivers for any non-compliance with the covenants, such non-compliance will constitute an event of default under the relevant loan agreements which may trigger a requirement for acceleration of the amounts due under the applicable loan agreements. Some of our loan agreements also contain cross-default clauses, which could enable creditors under our other debt instruments to declare an event of default when there is a default in other loan agreements. There is no assurance that we will be able to remain in compliance with our financial covenants. In the event that an event of default has occurred, we may not be able to cure the default or obtain a waiver on a timely basis. An event of default under any agreement governing our existing or future debts, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity, financial condition and results of operations and our financial condition may be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

Foreign exchange fluctuations may adversely affect the Group's results of operations and financial conditions.

The Group is known to be a professional manufacturer for Apple, Cisco, Dell, HP, Huawei and other major companies. In terms of operating activities, the majority of our accounts receivables are denominated in U.S. Dollar, while the minority of them are denominated in NT Dollar, Euro, Japanese Yen and RMB. Most of the Company's accounts payables (including raw materials, labor cost, and expense) are U.S. Dollar denominated whilst a small portion of them are denominated in RMB, NT Dollar, Japanese Yen and Euro. Therefore, while most of our foreign exchange risk between U.S. Dollar and NT Dollar can be reduced, we are nonetheless exposed to foreign exchange risks in exchange rate fluctuations between U.S. Dollar and RMB, U.S. Dollar and NT Dollar, U.S. Dollar and Japanese Yen and U.S. Dollar and Euro, which would affect our operating revenue as well as our non-operating income. The depreciation of U.S. Dollar would moreover result in the loss of our operating margins.

In terms of investment activities, we have substantial investments in the PRC, and the devaluation of RMB and/or NT Dollar may result in the loss of our foreign exchange evaluation on those investments.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our financial performance.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from insurance policies for production facilities is in line with industry norms, adequate for present operations and includes adequate coverage for risks relating to fires and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

The Group may be sued for product liability or experience problems with product quality or performance which could result in adverse publicity or subject the Group to unexpected expenses, including potentially significant monetary damages.

The Group typically provides a warranty to its customers for its products, and parts of the Group's products are typically produced and sold to customers to meet their specifications. If the Group's products fail to meet the specifications, the Group will usually replace the Group's products. However, the Group is still subject to claims from the Group's customers that end products sold by the Group's customers had failed to perform or caused injury, death or damage due to problems with the Group's products. While the Group had immaterial replacements for its products and has purchased product liability insurance coverage, the possibility of future product failures could cause the Group to incur substantial expense to replace defective products, provide refunds or resolve disputes with the Group's customers through litigation, arbitration or other means.

If any product liability claims are successfully asserted against the Group, the Group could be required to pay significant monetary damages. Even if a product liability claim does not result in a judgment in favor of a claimant, the Group may still incur substantial legal expenses defending against such a claim. In addition, product failures and the assertion of product liability claims against the Group, even if unsuccessful, could also result in adverse publicity that may damage the Group's reputation and customer relationships, which would have a material adverse effect on the Group's business.

Negative publicity may have a material adverse effect on our business.

From time to time, there may be allegations and speculation, whether accurate or not, in the international media about us and our business practices, including allegations that we have not been in compliance with the relevant labor laws and regulations. For example, in 2021, there was unfounded speculation that the Group's Zhengzhou facility used Uyghur forced labor from Xinjiang, which the Group has publicly refuted. We have been implementing and will continue to implement various measures to ensure compliance with the relevant labor standards and to improve employee morale, welfare and working environment. See "Business — Employees". However, it cannot be assured these measures and statements are effective to address the issues mentioned in the allegations and speculation or to prevent future allegations and speculation from being made against us.

Allegations and speculation of such nature have led to negative publicity in the news, which could have a negative adverse effect on demand for the end products sold by brands that use our manufacturing services, and may in turn have a material adverse effect on our business if our customers are forced to decrease the amount of orders given to us. In addition, such negative publicity may inhibit our ability to secure new orders from customers, which would have a material adverse effect on our results of operations and business prospects and could cause the price of the Bonds and the Common Shares to fall.

In addition, in early 2021, due to market changes, restrictions on local supply chains, difficulties in recruiting sufficient manpower and other commercial reasons, we amended our 2017 tax credit incentive agreement with the State of Wisconsin in the United States relating to the development of an industrial park located in Mount Pleasant, Wisconsin. In response to the amended agreement, there has been some negative media coverage regarding us and our scaled down investment in Wisconsin. We have taken alternative measures to continue our investment in Wisconsin and made public clarification statements, however, such negative media coverage could have a material adverse effect on our reputation and business development in the United States (and elsewhere), as well as adverse effects on our results of operations and business prospects and could cause the price of the Bonds and the Common Shares to fall.

Risks Relating to the ROC

Strained relations between the ROC and the PRC governments, and political developments in the ROC, could adversely affect the Group's business.

Certain of the Company's assets are located in the ROC and the Company's shares are listed on the TWSE. Accordingly, the Company's financial condition and results of operations may be affected by changes in the ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. The ROC has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over the ROC. The PRC government does not recognize the legitimacy of the government of the ROC. Although significant economic and cultural relations have been established in the past decade between the ROC and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over the ROC if the ROC declared independence or if a foreign power interfered in the ROC's domestic affairs. In addition, on March 14, 2005, the National People's Congress of the PRC passed what is widely referred to as the "anti-secession" law, a law authorizing the PRC military to respond to efforts by Taiwan to seek formal independence. Relations between the ROC and the PRC have at times been strained. There is no assurance that relations between the ROC and the PRC will not deteriorate, or that future military actions or economic sanctions or other disruptive activities will not be undertaken by either government.

In addition, the financial markets have viewed certain past developments in relations between the ROC and the PRC as occasions to depress general market prices of the securities of ROC companies. Also, the ROC government has not lifted some trade and investment restrictions imposed on ROC companies on the amount and types of certain investments that can be made in the PRC. Our plans, investment applications and/or any relevant regulatory approvals to establish or possibly expand operations in the PRC may be delayed, interrupted, suspended or cancelled due to unforeseeable social and political factors in the ROC or the PRC. Relations between the ROC and the PRC and other factors affecting military, political or economic conditions in the ROC could materially and adversely affect our financial condition and results of operations, as well as the market price and the liquidity of our securities.

The value of the Common Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices of listed securities and has shown particular volatility following certain political events, market events and scandals and there are currently limits on the range of daily price movements on the TWSE. From time to time, the ROC regulatory agencies have intervened in the ROC stock market during periods of extreme volatility. In 2020, the Taiwan Stock Exchange Capitalization Weighted Stock Index (the "**TAIEX**") peaked at 14,732.53 points on December 31, 2020, and reached a low of 8,681.34 points on March 19, 2020. On July 29, 2021, the TAIEX closed at 17,402.81 points. See "Appendix B — The Securities Markets of the ROC". The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could adversely affect the market price and liquidity of the securities of ROC companies, including the Bonds and the Common Shares, in both domestic and international markets.

Financial reporting requirements and accounting standards in the ROC differ from those of other countries.

The Company is subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including for example the countries in Europe. The Company has adopted Taiwan IFRS for presenting our consolidated financial statements as of and for the years ended December 31, 2019 and 2020 included in this Offering Circular. Taiwan IFRS differs from IFRS in certain significant respects, including to the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

Potential investors should not place undue reliance on the financial information that is not audited.

The Company publishes annual, semi-annual and/or quarterly consolidated financial information in the ROC to satisfy its continuing disclosure obligations relating to its shares listed on TWSE according to applicable ROC regulations and rules of the TWSE. Certain consolidated financial information may not be audited by the Company's independent auditors and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Such unaudited consolidated financial information are not necessarily indicative of the results that may be expected for the full financial year or any period thereafter. Consequently, potential investors should not take such financial information as an indication of our expected financial condition or results of operations for the relevant full financial year. Potential investors should exercise caution when using such data to evaluate our financial condition and results of operations.

Risks Relating to the PRC

Our results of operations and prospects are subject, to a significant extent, to legal, political and economic developments in the PRC.

A significant amount of our products are manufactured in the PRC; consequently, our results of operations and prospects are subject to legal, political and economic developments in the PRC. For instance, legislation has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. The legal system in the PRC is continuing to evolve. Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, where prior court decisions may be cited as reference but have limited weight as precedents. Furthermore, a large number of these written statutes and other regulations promulgated may be relatively new with a limited volume of published decisions and a lack of established practice available for reference. Accordingly, there exist uncertainties about their interpretation, implementation and enforcement, and such uncertainties may have a negative impact on our business. The administration of PRC laws and regulations may also be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. Also, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to the Group.

Our facilities located in the PRC are subject to political, economic and social conditions, laws, regulations and policies of the PRC. The economy of the PRC differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;

- control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the Company (or any other overseas subsidiaries of the Company) may be treated as a PRC resident enterprise for PRC tax purposes, which will subject it to PRC enterprise income tax ("EIT") on its worldwide income and PRC withholding taxes on interest it pays on the Bonds.

The Company's PRC subsidiaries are subject to EIT on the taxable income as reported in the PRC statutory accounts adjusted in accordance with relevant PRC income tax laws and are subject to an income tax rate of 25 per cent. Under the EIT Law, which became effective on January 1, 2008, and was amended on December 29, 2018, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes", meaning that they are treated in a manner similar to PRC enterprises for EIT purposes, and therefore subject to EIT at the rate of 25 per cent. on their worldwide income, although dividends paid from one resident to another may qualify as "tax-exempt income". The implementing regulations of the EIT Law which became effective on January 1, 2008 and was amended on April 23, 2019, defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting, properties and other aspects of an enterprise. The PRC State Administration of Taxation issued a circular, which became effective on September 1, 2011, and which provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the PRC State Administration of Taxation through the application of the foreign enterprise or the investigation of the relevant tax authorities.

As of the date of this Offering Circular, the Company has not been considered a PRC tax resident enterprise by the PRC tax authorities. There is however no assurance that the Company or other overseas entities in the Group will not be treated as "resident enterprises" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Company is treated as a PRC resident enterprise for EIT purposes, among other things, it would be subject to EIT at the rate of 25 per cent. on its worldwide income. Furthermore, if the Company were treated as a PRC resident enterprise, payments of interest by the Company may be regarded as derived from sources within the PRC and therefore the Company may be obligated to withhold PRC income tax at 10 per cent. on payments of interest on the Bonds to non-PRC resident enterprise investors, unless any such non-PRC investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for preferential withholding tax treatment. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent., unless a lower treaty rate is applicable. In addition, if the Company were treated as a PRC resident enterprise, any gain realized on the transfer of the Bonds by non-PRC resident investors may be regarded as derived from sources within the PRC and may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals (or a lower applicable treaty rate, if any). According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Bondholders (as defined therein) who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds. In addition, if the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Company may be required to withhold value-added tax ("**VAT**") at a rate of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts in respect of the Bonds to any non-PRC Noteholders, if such non-PRC Noteholders are deemed to be providing financing service to the Company within the territory of the PRC.

If the Company is required to withhold PRC tax from interest payments on the Bonds, the Company (as the case may be) may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on the Company's financial condition.

We are subject to risks associated with the PRC legal system.

Since 1979, many laws and regulations dealing with general economic matters or particular economic activities have been promulgated in the PRC. However, enforcement of existing laws and regulations may be uncertain and sporadic and implementation and interpretation thereof may be inconsistent. The PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC's legal system is based on written statutes and, therefore, decided legal cases do not have binding legal effect, although they are often followed by judges as guidance. The introduction of new PRC laws and regulations and the interpretation of existing laws and regulations may be subject to policy changes reflecting domestic political or social changes and thus may limit the legal protections available to us. As the PRC legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have a materially adverse effect on our business, financial condition, results of operations and future prospects and could cause the price of the Bonds and the Common Shares to fall.

Our operations may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp upward trend in recent years. Increasing inflationary rates are due to many factors beyond our control, such as rising food prices, rising production and labor costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within the PRC may have a material adverse effect on our business and results of operations, as well as our liquidity and profitability.

The PRC's regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent the Company from making loans or additional capital contributions to the Company's PRC subsidiaries.

As an offshore holding company of its PRC subsidiaries, the Company may make loans to its PRC subsidiaries, or it may make additional capital contributions to its PRC subsidiaries. Any loans to the Company's PRC subsidiaries are subject to the PRC regulations and approvals. For example, loans by the Company to its subsidiaries in China to finance their activities cannot exceed the statutory limits.

The Company may also decide to finance its PRC subsidiaries through capital contributions. These capital contributions may need to be approved by the relevant authorities, including the PRC Ministry of Commerce, (the "**MOFCOM**"), or its local counterparts. It cannot be assured that it will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to the future loans or capital contributions by it to its subsidiaries or any of their respective subsidiaries. If the Company fails to receive such registrations or approvals, its ability to capitalize its PRC operations may be negatively affected, which could adversely and materially affect its liquidity and its ability to fund and expand its business.

If we are found to have failed to comply with applicable laws, we may incur additional expenditures or be subject to significant fines and penalties.

A substantial part of our operations are subject to PRC laws and regulations. However, the scopes of many PRC laws and regulations are uncertain, and their implementation could differ significantly in different localities. In certain instances, local rules and their implementation are not necessarily consistent with the regulations at the national level. Although we strive to comply with all applicable PRC laws and regulations, it cannot be assured that the relevant PRC government authorities will not determine that we have not been in compliance with certain laws or regulations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

A number of the companies within the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations, and in particular, the provisions for protection of shareholders' rights and access to information, may, to a certain extent, be less developed than those applicable to companies incorporated in the United States, the UK and other developed jurisdictions. In addition, any control which the Group has over any PRC entities within the Group and the exercise of its corresponding shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in the PRC. Such laws and the application thereof may be different from the laws of other developed jurisdictions and the Group's shareholder rights in these PRC entities may be afforded less protection compared to shareholder rights under the laws of other developed jurisdictions, which may in turn result in the Group not being able to maintain control over these PRC entities.

Our labor costs may increase for reasons such as the implementation of the PRC Labor Contract Law or inflation in the PRC.

In recent years, the PRC government has promulgated and amended labor laws to enhance protection of labor rights. Increasing awareness of labor protection as well as increasing minimum wages is likely to increase the labor costs afforded by PRC enterprises in general. For instance, the PRC Labor Contract Law《中華人民共和國勞動合同法》became effective on January 1, 2008 in the PRC and was amended on December 28, 2012. It imposes requirements on employers in relation to compensation payments for fixed-term contract employees and a minimum wage requirement.

In addition, under the PRC Labor Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them with such amount which is determined based on their length of service with the employer, and the employer may not be able to terminate efficiently open-ended employment contracts under the PRC Labor Contract Law without cause. In the event that we decide to change or decrease our workforce significantly, the PRC Labor Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on our businesses, financial condition and results of operations.

Furthermore, if there is a shortage of labor or for any reason the labor cost in the PRC rises significantly, the costs of production of our products are likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand for such products and services and thereby adversely affect our sales and financial condition. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labor and the costs of raw materials we must purchase for production. Rising labor costs may increase our operating costs and partially erode the cost advantage of our PRC-based operations and therefore negatively impact our profitability.

Risks Relating to Ownership of the Bonds and the Common Shares

The market for the Bonds and the Common Shares may not be liquid.

The Bonds have not been registered under the Securities Act, and are being offered and sold outside the United States to non-U.S. persons in accordance with Regulation S. The Bonds are subject to the restrictions on transfer described under "Transfer Restrictions of the Bonds". The Bonds will constitute a new issue of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the Bonds may experience difficulty in reselling the Bonds or may be unable to sell them at all. The Company cannot assure you that an active public market or other market for the Bonds will develop or be maintained. If a market for the Bonds develops, it may be discontinued at any time. Although the Initial Purchasers have advised the Company that they currently intend to make a market in the Bonds, they are not obligated to do so and may discontinue market-making activity at any time without notice. Any market-making activity by the Initial Purchasers will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended, and other applicable law. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST.

The liquidity of any market for the Bonds will depend upon the size and the number of holders of the Bonds, the Company's operating performance, the interest of securities dealers in making a market in the Bonds and other factors. A liquid trading market may not develop for the Bonds. Furthermore, the market price for the Bonds may be subject to substantial fluctuations. Factors such as the following may have a significant effect on the market price of the Bonds:

- the market price of the Common Shares;
- actual or anticipated fluctuations in the operating results of the Company;
- the perceived business prospects of the Company;
- general economic conditions, including prevailing interest rates; and
- the market for similar securities.

There has been no trading market for the Common Shares outside the ROC and the only trading market for the Common Shares will be the TWSE.

There are limitations on the ability of Holders of the Bonds to exercise conversion rights.

Investors in the Bonds will not be able to exercise their conversion right during Closed Period. Under current ROC law, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Company unless it is a PRC qualified domestic institutional investor (a "**QDII**") or otherwise obtains regulator's approval. If a Holder converts the Bonds, such Holder will be required to register with the TWSE and appoint a tax guarantor, local agent and custodian in the ROC. See "Description of the Bonds — Conversion".

Holders of the Bonds will bear the risk of fluctuations in the price of the Common Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares of the Company will change. Trading prices of the Common Shares will be influenced by, among other things, the results of operations of the Company and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the secondary market price of the Bonds.

Fluctuations in the exchange rate between the NT Dollar and the U.S. Dollar may have a material adverse effect on the value of the Bonds in U.S. Dollar terms.

Although the principal amount of the Bonds is denominated in U.S. Dollars, the Common Shares of the Company are listed on the TWSE, which quotes and trades the Common Shares in NT Dollars. As a result, fluctuations in the exchange rate between the NT Dollar and the U.S. Dollar will affect, among other things, the secondary market price of the Bonds and the U.S. Dollar equivalent of the Common Shares received upon conversion of the Bonds.

Furthermore, the Bonds are currency-linked debt instruments. Bondholders are required to pay the subscription money for the Bonds in U.S. Dollars, while all amounts due from the Company under the Bonds, will be settled in U.S. Dollars, translated to NT Dollar at a rate of NT$27.978 to US$1.00 and then translate back to U.S. Dollars at the prevailing exchange rate between NT Dollar and the U.S. Dollar at the time of payment. Accordingly, the U.S. Dollar return on the Bonds, or yield to maturity, will depend on the principal amount converted into U.S. Dollars at the prevailing exchange rate. Any volatility of the exchange rate between NT Dollar and the U.S. Dollar during the term of the Bonds will affect the return on the Bonds, or yield to maturity, in U.S. Dollars. In particular, any devaluation of the NT Dollar against the U.S. Dollar during the term of the Bonds will decrease the U.S. Dollar return on the Bonds and will result in the yield to maturity of the Bonds in U.S. Dollars being less than the stated yield to maturity of the Bonds. In the event of a material devaluation of the NT Dollar against the U.S. Dollar, Bondholders may not receive the full U.S. Dollar subscription amount upon redemption of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Common Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Common Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Common Shares. Holders of the Bonds who acquire the Common Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders of the Bonds or their designee requesting the conversion of the Bonds into the Common Shares may be required to provide certain information to the Company, and failure to provide such information may result in a delay of the conversion.

A Holder of the Bonds or its designee requesting the conversion of the Bonds into the Common Shares may be required to provide certain information to the Company or the Paying Agent, including the name and nationality of the person to be registered as the shareholder, the number of Common Shares to be acquired by such person and the number of Common Shares acquired by such person in the past through the Conversion Date. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (1) is a “related party” of the Company as defined in the Regulations Governing the Preparation of Financial Report by Securities Issuers or (2) will hold, immediately following such conversion, more than 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the initial conversion price. Failure to provide such information may result in a delay of the conversion of the Bonds.

Future issues, offers or sales of Common Shares may hurt the value of the Bonds.

The market price of the Bonds and Common Shares could decline as a result of future issues, offers or sales of a large number of Common Shares or securities convertible into or exercisable for Common Shares or any securities or financial instruments whose economic value is determined, directly or indirectly, by reference to the market price of Common Shares, or the perception that such issues, offers or sales could occur. If a large number of Common Shares is sold, the market price for the Bonds or Common Shares could be depressed.

We may not have the ability to redeem the Bonds in cash if investors exercise the early redemption right upon the occurrence of a change of control, delisting or upon their option in certain circumstances.

We may be required by Bondholders to redeem for cash all or some of their Bonds upon a transaction or event constituting a change of control, delisting or upon their option in certain circumstances as described under “Description of the Bonds”. We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to redeem the Bonds in cash may be limited by law, by the terms of other agreements relating to our senior debt and by indebtedness and agreements that we may enter into in the future which may replace, supplement or amend our existing or future indebtedness. If the exercise of the redemption right upon the occurrence of a change of control or delisting occurs at a time when we are prohibited from redeeming the Bonds, we could seek the consent of lenders to redeem the Bonds or could attempt to refinance the borrowings that contain this prohibition. If we are not able to obtain consent or refinance these borrowings, we could remain prohibited from redeeming the Bonds.

Our failure to redeem Bonds would constitute an event of default, which might constitute a default under the terms of our other indebtedness at that time.

We may call the Bonds prior to maturity if we have or will become obligated to pay additional amounts as a result of certain changes in applicable tax law.

We may call the Bonds prior to maturity if we have or will become obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations. In such an event, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed but, in that case, subject as provided in "Description of the Bonds — Redemption of the Bonds — Redemption for Taxation Reasons", no additional amounts will be payable on the electing Bondholder's Bonds after the relevant tax redemption date and payment of all amounts shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. See "Description of the Bonds — Redemption of the Bonds — Redemption for Taxation Reasons".

Bondholders have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted in the event that there is a free distribution, bonus issue, division, consolidation and reclassification, declaration of dividends, rights issue, warrants issue, capital distribution or other adjustment, but only in the circumstances and only to the extent provided in "Description of the Bonds — Conversion — Adjustments to the Conversion Price". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of Common Shares. Events in respect of which no adjustment is made may adversely affect the value of Common Shares and, therefore, adversely affect the value of the Bonds.

The Trustee may request that the Bondholders provide indemnity, security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Bondholders to provide indemnity, security, and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obligated to take any such steps and/or actions and/or institute such proceedings if not indemnified, secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity, security, and/or prefunding can be a lengthy process and may impact when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute proceedings, notwithstanding the provision of indemnity, security or prefunding to it, in breach of the terms of the indenture governing the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

USE OF PROCEEDS

The gross proceeds to Hon Hai from the Offering will be US$700.0 million before deducting the Initial Purchaser's discounts and estimated offering expenses payable by the Company. The Company intends to use the net proceeds from the Offering to purchase raw materials overseas.

DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the aggregate number of outstanding Common Shares entitled to dividends, the cash dividends per Common Share, stock dividends per Common Share and total Common Shares issued as stock dividends in respect of each year indicated.

	Aggregate Number of Common Shares[(1)]	**Cash Dividends per Common Share**	**Stock Dividends per Common Share**[(2)]	**Total Common Shares Issued as Stock Dividends**[(3)]
		(NT$)	*(NT$)*	
2012	11,835,866,527	1.5	1.0	1,183,586,653
2013	13,128,706,840	1.8	1.2	1,575,444,821
2014	14,793,406,863	3.8	0.5	739,670,344
2015	15,638,288,228	4.0	1.0	1,563,828,823
2016	17,328,738,262	4.5	—	—
2017	17,328,738,262	2.0	—	—
2018	13,862,990,609	4.0	—	—
2019	13,862,990,609	4.2	—	—
2020	13,862,990,609	4.0	—	—

(1) Aggregate number of Common Shares outstanding on the record date applicable to the dividend payment.

(2) The number of Common Shares received by the holders of Common Shares as a stock dividend is equal to the NT Dollar value of the declared dividend, multiplied by the number of Common Shares owned, divided by the par value of NT$10 per Common Share. Holders of Common Shares will receive cash in lieu of fractional Common Shares.

(3) The stock dividends per Common Share distributed were adjusted as a result of an increase in the aggregate number of Common Shares outstanding due to the conversion of convertible bonds into Common Shares.

The Company historically has paid dividends on its Common Shares with respect to the preceding year after approval by the Company's shareholders at the ordinary meeting of shareholders. See "Description of Common Shares". The Company's dividend payments and distributions are generally governed by the ROC Company Act as well as its Articles of Incorporation. Except in limited circumstances, under the ROC Company Act, the Company is not permitted to distribute dividends or make other distributions to shareholders in respect of any year in which it did not have current or retained earnings (excluding reserves). The ROC Company Act also requires that 10% of annual net income be set aside as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. The Company's Articles of Incorporation provide that its net profit after tax shall be distributed in the following manner

(i) making up accumulated losses;

(ii) setting aside a 10% legal reserve, unless the accumulated legal reserve equals the paid-in capital; and

(iii) setting aside the special reserve in accordance with ROC laws and regulations.

The remaining earnings along with the undistributed earnings at the beginning of the period are considered as accumulated distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the Board of Directors and resolved by the shareholders. However, to the extent that the dividend is to be distributed in the form of cash, such dividend may be so distributed after being approved by the affirmative vote of the directors at a Board of Director's meeting attended by two-thirds or more of the total number of the directors without the resolution by the shareholders.

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

Upon the final settlement of accounts, if there is any surplus profit (meaning the net profit before tax before deduction of employees' remuneration), the Company shall set aside 5% to 7% of the surplus profit as employees' remuneration which may be in the form of cash or shares, provided that, if the company has accumulated losses, it shall reserve an amount thereof for making up the losses. Employees (including those of subsidiaries of the Company) entitled to such remuneration shall meet certain requirements, where such requirements shall be determined by the Board of Directors.

CAPITALIZATION AND INDEBTEDNESS

As of March 31, 2021, the authorized share capital of the Company was NT$180,000,000,000 divided into 18,000,000,000 ordinary shares of NT$10.0 par value each and its issued share capital was NT$138,629,906,090 consisting of 13,862,990,609 ordinary shares of NT$10.0.

The following table sets forth the unaudited short-term borrowings and total capitalization of the Company as of March 31, 2021 on an actual basis and on an as adjusted basis.

The as adjusted basis gives effect to the issuance of the Bonds, before deducting the Initial Purchaser's discounts and the estimated offering expenses payable by us, as if the Bonds had been issued on March 31, 2021. Since March 31, 2021, there has been no material change in our total capitalization or short-term borrowings.

	As of March 31, 2021			
	Actual		As adjusted for the issue of the Bonds[5]	
	NT$	*US$*	*NT$*	*US$*
	(unaudited) *(in millions)*			
Consolidated Capitalization				
Short-term borrowings[1]				
Short-term loans (including short-term notes and bills payable)	508,452	17,853	508,452	17,853
Current portion of long-term liabilities	74,428	2,613	74,428	2,613
Long-term borrowings[1]				
Corporate bonds payable[2]	200,396	7,037	220,332	7,737
Long-term loans[3]	30,256	1,062	30,256	1,062
Total long-term borrowings	230,652	8,099	250,588	8,799
Equity				
Share capital — common stock	138,630	4,868	138,630	4,868
Capital surplus	200,485	7,040	200,485	7,040
Retained earnings				
Legal reserve	161,044	5,654	161,044	5,654
Special reserve	102,451	3,597	102,451	3,597
Undistributed earnings	752,676	26,428	752,676	26,428
Other equity interest	(81,264)	(2,853)	(81,264)	(2,853)
Treasury stocks	(15)	(1)	(15)	(1)
Equity attributable to owners of the parent	1,274,007	44,733	1,274,007	44,733
Non-controlling interest	180,062	6,323	180,062	6,323
Total equity	1,454,069	51,056	1,454,069	51,056
Total capitalization[4]	1,684,721	59,155	1,704,657	59,855

(1) The short-term borrowings of the Company are unsecured and such borrowings have not been guaranteed.

(2) As of March 31, 2021, the outstanding corporate bonds payable was NT$243,470 million, NT$43,074 million of which is included in the current portion of long-term liabilities.

(3) As of March 31, 2021, the outstanding long-term loans was NT$61,610 million, NT$31,354 million of which is included in the current portion of long-term liabilities.

(4) Total capitalization includes total long-term borrowings (excluding the current portion of long-term loans shown as current portion of long-term liabilities), and includes total stockholders' equity.

(5) The bifurcation of derivative instruments from the Bonds payable upon initial recognition under Taiwan IFRS was not taken into consideration for the adjusted basis.

SELECTED FINANCIAL INFORMATION

The selected consolidated comprehensive income statement data for the years ended December 31, 2018 and 2019 and for the years ended December 31, 2019 and 2020 and the selected consolidated balance sheet data as of December 31, 2018 and 2019 and as of December 31, 2019 and 2020 all expressed in New Taiwan Dollars set forth below are derived from the audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 included elsewhere in this Offering Circular and should be read in conjunction with, and are qualified in their entirety by reference to, such financial statements, including the notes thereto. The audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 have been prepared and presented in accordance with Taiwan IFRS which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. The selected consolidated comprehensive income statement data for the three-month periods ended March 31, 2020 and 2021 and the selected consolidated balance sheet data as of March 31, 2020 and 2021 all expressed in New Taiwan Dollars set forth below are derived from the unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021. The unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021 have been prepared and presented in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by FSC, which differ in certain material respects with U.S. GAAP. The review report of PricewaterhouseCoopers, Taiwan dated May 14, 2021 relating to the unaudited consolidated interim financial statements was qualified with respect to the effect of adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investee companies accounted for under the equity method, been reviewed by independent auditors. Results for the three-month periods ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

With effect from January 1, 2019, the Group has adopted Taiwan IFRS 16 where the Group is required to adjust certain amounts recognised in the consolidated financial statements. Please refer to Note 3(1) of the Group's consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of Taiwan IFRS 16. The Group has adopted Taiwan IFRS 16 from January 1, 2019 without requiring any restatement of the corresponding figures of the prior period before January 1, 2019. The Group's consolidated financial information as at and for the year ended December 2018 may not be directly comparable against the Group's consolidated financial information on or after January 1, 2019. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against the Group's consolidated financial figures prior to January 1, 2019 and when evaluating the Group's financial position and performance.

The Company has not quantified or identified the impact of the differences between Taiwan IFRS and U.S. GAAP, see "Risk Factors — Risks Relating to the ROC — Financial reporting requirements and accounting standards in the ROC differ from those of other countries".

All amounts in the Years Consolidated Financial Information and the Three Months Consolidated Financial Information expressed in U.S. Dollars are provided solely for the convenience of the reader and such amounts do not form part of the audited consolidated financial statements or unaudited consolidated interim financial statements.

Audited Consolidated Statement of Comprehensive Income

	For the Year Ended December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
	(in thousands, except per share data)			
Operating revenue	5,293,803,022	5,342,810,995	5,358,023,065	188,132,832
Operating costs	(4,961,773,118)	(5,026,942,570)	(5,055,104,342)	(177,496,641)
Net operating margin	332,029,904	315,868,425	302,918,723	10,636,191
Operating expenses				
Selling expenses	(32,690,093)	(30,129,101)	(27,243,581)	(956,587)
General and administrative expenses	(78,762,853)	(79,294,289)	(70,737,182)	(2,483,749)
Research and development expenses	(84,430,083)	(91,548,149)	(94,110,512)	(3,304,442)
Total operating expenses	(195,883,029)	(200,971,539)	(192,091,275)	(6,744,778)
Operating profit	136,146,875	114,896,886	110,827,448	3,891,413
Non-operating income and expenses				
Interest income	60,400,627	75,819,336	47,934,352	1,683,088
Other income	14,014,872	14,560,918	11,887,533	417,399
Other gains and losses	(997,809)	5,567,450	7,314,465	256,828
Finance costs	(55,544,836)	(66,600,696)	(40,317,013)	(1,415,625)
Share of profit of associates and joint ventures accounted for under equity method	16,231,713	19,634,053	7,825,449	274,770
Total non-operating income and expenses	34,104,567	48,981,061	34,644,786	1,216,460
Profit before income tax	170,251,442	163,877,947	145,472,234	5,107,873
Income tax expense	(40,416,017)	(31,692,859)	(31,146,647)	(1,093,632)
Profit for the year	129,835,425	132,185,088	114,325,587	4,014,241
Other comprehensive income				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans	217,476	(7,404)	(47,626)	(1,672)
Unrealized (loss) gain on valuation of financial assets at fair value through other comprehensive income	(4,687,419)	4,720,616	19,999,225	702,220
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	(12,700,347)	3,028,377	497,658	17,474
Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	(43,495)	1,481	9,525	334
Other comprehensive (loss) income that will not be reclassified to profit or loss	(17,213,785)	7,743,070	20,458,782	718,356
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Financial statements translation differences of foreign operations	(11,603,077)	(51,266,536)	(15,380,879)	(540,059)
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	(121,619)	(1,096,843)	2,094,637	73,548
Other comprehensive (loss) income that will be reclassified to profit or loss	(11,724,696)	(52,363,379)	(13,286,242)	(466,511)

	For the Year Ended December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
		(in thousands, except per share data)		
Other comprehensive (loss) income for the year	(28,938,481)	(44,620,309)	7,172,540	251.845
Total comprehensive income for the year	100,896,944	87,564,779	121,498,127	4,266,086
Profit attributable to:				
Owners of the parent	129,065,105	115,308,736	101,794,807	3,574,256
Non-controlling interest	770,320	16,876,352	12,530,780	439,985
	129,835,425	132,185,088	114,325,587	4,014,241
Comprehensive income attributable to:				
Owners of the parent	103,120,437	74,706,141	112,236,799	3,940,899
Non-controlling interest	(2,223,493)	12,858,638	9,261,328	325,187
	100,896,944	87,564,779	121,498,127	4,266,086
Earnings per share (in dollars)				
Basic earnings per share	8.03	8.32	7.34	0.26
Diluted earnings per share	7.95	8.24	7.28	0.26

Audited Consolidated Balance Sheet

	As of December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
		(in thousands)		
Current assets				
Cash and cash equivalents	788,662,325	857,864,362	1,232,794,015	43,286,307
Financial assets at fair value through profit or loss — current	5,016,365	2,952,049	6,285,594	220,702
Financial assets at amortised cost, net-current	78,944,139	52,954,877	38,783,566	1,361,782
Accounts receivable, net	1,009,364,152	987,278,438	903,070,230	31,708,926
Accounts receivable — related parties	48,172,268	44,754,604	39,414,164	1,383,924
Other receivables	73,996,367	67,854,299	58,237,719	2,044,864
Other receivables — related parties	57,705,076	24,366,543	5,285,774	185,596
Inventory	625,025,794	515,772,177	582,113,735	20,439,387
Prepayments	19,596,260	19,895,574	18,664,505	655,355
Total current assets	2,706,482,746	2,573,692,923	2,884,649,302	101,286,843
Non-current assets				
Financial assets at fair value through profit or loss — non-current	74,887,490	82,660,725	83,681,186	2,938,244
Financial assets at fair value through other comprehensive income -non-current	66,634,395	68,807,217	87,074,089	3,057,377
Financial assets at amortised cost, net — non-current	16,240,740	12,528,569	18,786,030	659,622
Investments accounted for using equity method	160,316,664	168,631,642	175,199,441	6,151,666
Property, plant and equipment	277,860,012	287,523,253	287,091,978	10,080,477
Right-of-use assets	—	46,760,340	46,268,685	1,624,603
Investment property — net	2,523,963	4,419,912	11,083,273	389,160
Intangible assets	30,357,025	41,380,353	44,760,083	1,571,632
Deferred income tax assets	16,229,304	18,701,465	19,946,852	700,381
Other non-current assets	29,823,088	15,835,299	15,734,671	552,481
Total non-current assets	674,872,681	747,248,775	789,626,288	27,725,643
Total assets	3,381,355,427	3,320,941,698	3,674,275,590	129,012,486
Current liabilities				
Short-term loans	532,315,377	380,866,050	446,422,100	15,674,933
Short-term notes and bills payable	19,283,228	30,528,296	39,101,893	1,372,960
Financial liabilities at fair value through profit or loss — current	651,426	1,881,685	2,291,221	80,450
Accounts payable	905,682,505	870,678,994	1,037,912,518	36,443,558
Accounts payable — related parties	42,340,749	35,509,127	27,680,046	971,912
Other payables	228,985,231	217,732,729	220,177,215	7,730,942
Current tax liabilities	36,400,157	18,531,289	24,004,318	842,848
Provisions for liabilities — current	5,562,147	2,725,293	4,136,517	145,243
Current lease liabilities	—	7,131,038	9,058,272	318,057
Other current liabilities	38,550,736	91,876,860	105,473,211	3,703,413
Total current liabilities	1,809,861,556	1,657,461,361	1,916,257,311	67,284,316
Non-current liabilities				
Financial liabilities at fair value through profit or loss-non-current	22,835	—	—	—
Corporate bonds payable	178,794,577	175,505,344	201,691,563	7,081,866
Long-term loans	36,483,791	41,576,252	31,593,197	1,109,312
Provisions for liabilities — non-current	—	369,953	407,915	14,323
Deferred income tax liabilities	14,649,508	18,261,509	18,805,119	660,292
Non-current lease liabilities	—	20,875,343	20,390,740	715,967
Other non-current liabilities	9,109,272	7,266,519	10,983,336	385,651
Total non-current liabilities	239,059,983	263,854,920	283,871,870	9,967,411
Total liabilities	2,048,921,539	1,921,316,281	2,200,129,181	77,251,727

	As of December 31,			
	2018	2019	2020	
	NT$	*NT$*	*NT$*	*US$* *(unaudited)*
	(in thousands)			
Equity				
Equity attributable to owners of parent				
Share capital				
Share capital — common stock	138,629,906	138,629,906	138,629,906	4,867,623
Capital reserve				
Capital surplus	190,018,456	199,383,371	202,645,942	7,115,377
Retained earnings				
Legal reserve	136,606,364	149,512,874	161,043,748	5,654,626
Special reserve	27,539,310	60,309,927	102,451,720	3,597,322
Unappropriated retained earnings	779,409,554	794,615,182	779,836,380	27,381,895
Other equity interest				
Other equity interest	(60,309,927)	(102,451,720)	(87,315,126)	(3,065,840)
Treasury stocks	(15,194)	(15,194)	(15,194)	(533)
Equity attributable to owners of the parent	1,211,878,469	1,239,984,346	1,297,277,376	45,550,470
Non-controlling interest	120,555,419	159,641,071	176,869,033	6,210,289
Total equity	1,332,433,888	1,399,625,417	1,474,146,409	51,760,759
Total liabilities and equity	3,381,355,427	3,320,941,698	3,674,275,590	129,012,486

Unaudited Consolidated Statement of Comprehensive Income

	For the Three Months Ended March 31,		
	2020	2021	
	NT$	*NT$*	*US$*
		(unaudited)	
		(in thousands, except per share data)	
Operating revenue	929,133,122	1,347,112,823	47,300,310
Operating costs	(887,319,417)	(1,268,980,278)	(44,556,892)
Net operating margin	41,813,705	78,132,545	2,743,418
Operating expenses			
Selling expenses	(5,317,386)	(7,883,901)	(276,822)
General and administrative expenses	(15,035,999)	(18,820,414)	(660,829)
Research and development expenses	(16,935,217)	(23,858,634)	(837,733)
Total operating expenses	(37,288,602)	(50,562,949)	(1,775,384)
Operating profit	4,525,103	27,569,596	968,034
Non-operating income and expenses			
Interest income	13,650,041	8,403,342	295,061
Other income	928,139	7,183,226	252,220
Other gains and losses	441,377	482,401	16,938
Finance costs	(12,259,616)	(6,747,233)	(236,911)
Share of profit of associates and joint ventures accounted for under equity method	(1,386,624)	2,297,741	80,679
Total non-operating income and expenses	1,373,317	11,619,477	407,987
Profit before income tax	5,898,420	39,189,073	1,376,021
Income tax expense	(3,748,209)	(8,209,821)	(288,266)
Profit for the period	2,150,211	30,979,252	1,087,755
Other comprehensive income			
Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
Unrealized (loss) gain on valuation of financial assets at fair value through other comprehensive income	(13,982,967)	7,203,475	252,931
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	(4,025,455)	5,296,271	185,964
Other comprehensive (loss) income that will not be reclassified to profit or loss	(18,008,422)	12,499,746	438,895
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
Financial statements translation differences of foreign operations	(12,232,021)	(2,180,487)	(76,562)
Share of other comprehensive loss of associates and joint ventures accounted for under equity method	(1,607,757)	(4,002,504)	(140,537)
Other comprehensive loss that will be reclassified to profit or loss	(13,839,778)	(6,182,991)	(217,099)
Other comprehensive (loss) income for the period	(31,848,200)	6,316,755	221,796
Total comprehensive (loss) income for the period	(29,697,989)	37,296,007	1,309,551
Profit attributable to:			
Owners of the parent	2,083,851	28,161,775	988,827
Non-controlling interest	66,360	2,817,477	98,928
	2,150,211	30,979,252	1,087,755

	For the Three Months Ended March 31,		
	2020	2021	
	NT$	*NT$*	*US$*
		(unaudited)	
		(in thousands, except per share data)	
Comprehensive income (loss) attributable to:			
Owners of the parent	(28,240,413)	34,211,928	1,201,262
Non-controlling interest	(1,457,576)	3,084,079	108,289
	(29,697,989)	37,296,007	1,309,551
Earnings per share (in dollars)			
Basic earnings per share	0.15	2.03	0.07
Diluted earnings per share	0.15	2.02	0.07

Unaudited Consolidated Balance Sheet

	As of March 31,		
	2020	2021	
	NT$	*NT$* (unaudited) (in thousands)	*US$*
Current assets			
Cash and cash equivalents	931,434,201	1,112,174,828	39,051,082
Financial assets at fair value through profit or loss — current	4,473,572	4,252,850	149,328
Financial assets at amortised cost, net-current	85,679,240	46,576,058	1,635,395
Accounts receivable, net	622,757,155	745,890,062	26,189,960
Accounts receivable — related parties	28,434,024	29,730,781	1,043,918
Other receivables	54,272,273	52,187,919	1,832,441
Other receivables — related parties	15,581,029	8,250,774	289,704
Inventory	532,240,638	634,982,642	22,295,739
Prepayments	22,061,968	20,348,193	714,473
Total current assets	2,296,934,100	2,654,394,107	93,202,040
Non-current assets			
Financial assets at fair value through profit or loss — non-current	85,621,808	91,901,881	3,226,892
Financial assets at fair value through other comprehensive income -non-current	55,656,421	95,167,908	3,341,570
Financial assets at amortised cost, net — non-current	12,961,571	17,780,954	624,331
Investments accounted for using equity method	161,601,359	171,861,057	6,034,447
Property, plant and equipment	277,457,385	289,515,599	10,165,576
Right-of-use assets	46,660,405	45,650,542	1,602,898
Investment property — net	6,609,334	10,689,636	375,338
Intangible assets	41,431,581	46,375,679	1,628,360
Deferred income tax assets	21,670,233	21,133,944	742,063
Other non-current assets	16,072,142	11,880,286	417,145
Total non-current assets	725,742,239	801,957,486	28,158,620
Total assets	3,022,676,339	3,456,351,593	121,360,660
Current liabilities			
Short-term loans	374,192,060	464,506,666	16,309,925
Short-term notes and bills payable	29,963,286	43,945,617	1,543,034
Financial liabilities at fair value through profit or loss — current	3,293,360	2,010,356	70,588
Accounts payable	642,432,165	780,891,457	27,418,942
Accounts payable — related parties	24,190,374	22,892,268	803,801
Other payables	186,863,873	248,018,907	8,708,529
Current tax liabilities	16,138,489	24,641,380	865,217
Provisions for liabilities — current	2,547,523	3,706,271	130,136
Current lease liabilities	7,760,497	8,963,534	314,731
Other current liabilities	91,542,791	119,595,089	4,199,266
Total current liabilities	1,378,924,418	1,719,171,545	60,364,169

	As of March 31,		
	2020	2021	
	NT$	*NT$*	*US$*
		(unaudited)	
		(in thousands)	
Non-current liabilities			
Financial liabilities at fair value through profit or loss-non-current	97,237	—	—
Corporate bonds payable	181,738,717	200,396,220	7,036,384
Long-term loans	41,417,060	30,256,144	1,062,364
Provisions for liabilities — non-current	372,575	408,165	14,332
Deferred income tax liabilities	21,482,440	21,910,058	769,314
Non-current lease liabilities	21,929,457	19,649,996	689,958
Other non-current liabilities	6,592,199	10,490,038	368,330
Total non-current liabilities	273,629,685	283,110,621	9,940,682
Total liabilities	1,652,554,103	2,002,282,166	70,304,851
Equity			
Equity attributable to owners of parent			
Share capital			
Common stock	138,629,906	138,629,906	4,867,623
Capital reserve			
Capital surplus	199,880,666	200,484,799	7,039,494
Retained earnings			
Legal reserve	149,512,874	161,043,748	5,654,626
Special reserve	60,309,927	102,451,720	3,597,322
Unappropriated retained earnings	796,693,801	752,676,042	26,428,232
Other equity interest			
Other equity interest	(132,776,068)	(81,263,647)	(2,853,359)
Treasury stocks	(15,194)	(15,194)	(533)
Equity attributable to owners of the parent	1,212,235,912	1,274,007,374	44,733,405
Non-controlling interest	157,886,324	180,062,053	6,322,404
Total equity	1,370,122,236	1,454,069,427	51,055,809
Total liabilities and equity	3,022,676,339	3,456,351,593	121,360,660

RECENT DEVELOPMENTS

Recent Monthly Result of Operations

Pursuant to the rules and regulations of the TWSE, the Company reports its consolidated net sales each month.

- The Company announced on May 4, 2021 that its consolidated revenue for April 2021 amounted to NT$500.5 billion, representing a 31.39% increase from NT$380.9 billion for April 2020.
- The Company announced on June 6, 2021 that its consolidated revenue for May 2021 amounted to NT$455.0 billion, representing a 17.59% increase from NT$387.0 billion for May 2020.
- The Company announced on July 5, 2021 that its consolidated revenue for June 2021 amounted to NT$401.6 billion, representing an 11.40% increase from NT$360.5 billion for June 2020.

These monthly result has not been audited or reviewed by PricewaterhouseCoopers, Taiwan and may not be indicative of the Company's net sales for the full year 2021.

2021 First Quarter Financials

For the three months ended March 31, 2021, our unaudited consolidated revenue amounted to NT$1,347,113 million, representing a 45.0% increase from NT$929,133 million for the corresponding period in 2020. The increase was primarily due to the strong market demand for smartphone devices. Our consolidated net profit increased by 1,340.8% to NT$30,979 million from NT$2,150 million for the corresponding period in 2020. The increase was primarily due to (i) the impact of COVID-19 on our business in the PRC has been mitigated and (ii) the market demand for smartphone devices has rebounded. In addition, for the three months ended March 31, 2021, our unaudited consolidated gross profit increased by 86.9% to NT$78,133 million from NT$41,814 million for the corresponding period in 2020, and our unaudited consolidated gross profit margin improved to 5.8% for the three months ended March 31, 2021 from 4.5% for the corresponding period in 2020. The increase was primarily due to our improved product mix strategy.

Joint Venture with Yageo Group

On May 5, 2021, the Company announced that it intends to form a joint venture named Xsemi with Yageo Group to facilitate the development of its semiconductor business. XSemi will be based in Hsinchu, the ROC, and focus on the development of semiconductor chips with more affordable prices.

Collaboration with Fisker Inc. on an Electric Vehicle Project

On May 13, 2021, the Company and Fisker Group Inc. entered into framework agreements supporting Project "PEAR" (Personal Electric Automotive Revolution), which is an electric vehicles development program.

Joint Venture with Stellantis NV

On May 18, 2021, Stellantis NV, the Company and FIH Mobile announced the signing of a non-binding memorandum of understanding to form Mobile Drive, a 50/50 joint venture aimed at improving in-vehicle user experiences by utilizing advanced consumer electronics, human-machine interfaces and services.

Joint Venture with PTT Public Company Limited

On May 31, 2021, the Company and PTT Public Company Limited announced the signing of a memorandum of understanding to set up an open platform for producing EV and key components to serve the EV sector in Thailand. The platform, comprising hardware and software services, will be available to all automobile players in Thailand looking to accelerate their production and sales of EVs in Thailand and elsewhere in the Southeast Asia.

Acquisition of Sound Solutions International (Zhenjiang) Co., Ltd.

On May 31, 2021, the Company announced that its subsidiary, Foxconn Interconnect Technology Limited, would issue new shares worth US$54,088,303.02 to purchase 100% shares of Sound Legend Limited and thereby indirectly acquire the business of Sound Solutions International (Zhenjiang) Co., Ltd. The acquisition will enable the Group to facilitate and promote the manufacturing, research and development of acoustic components.

Investment in shares of Guangxi Yuchai Logistics Co., Ltd.

On June 9, 2021, the Company announced its subsidiary Jusda Supply Chain Management acquired Guangxi Yuchai Logistics Co., Ltd. in an amount of RMB999,999,959.01.

Acquisition of the shares of Dagang NeXchange Berhad

On June 10, 2021, the Company announced that its subsidiary Foxconn Singapore Pte Ltd had acquired 120,000,000 shares of Dagang NeXchange Berhad in an amount of MYR108,000,000.

Participation in a Private Placement of Giga Solar Materials Corporation

On June 15, 2021, the Company's wholly owned subsidiary Hyield Venture Capital Co., Ltd. participated in a private placement launched by Giga Solar Materials Corporation in an amount of NT$995,200,000.

Donation of COVID-19 vaccines

On July 11, 2021, the Company and YongLin Foundation jointly completed the purchase of five million (5,000,000) doses of BioNTech (BNT) 162b2 vaccine, and donated them to the Taiwan Centers for Disease Control (CDC) of Executive Yuan Ministry of Health and Welfare. The Company's individual contribution will amount to a maximum of US$105,000,000, a demonstration of its commitment in fulfilling its social responsibilities in face of the unique challenges brought by COVID-19.

The impact of COVID-19 on our business operations.

The COVID-19 pandemic has caused substantial disruption in international economies and markets, including countries or regions where our businesses, assets and operations are located in. In response to the COVID-19 pandemic, many governments across the world have imposed a number of measures in an effort to contain the spread of the COVID-19 pandemic, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. These containment measures have caused disruptions across the majority of the countries globally.

In response to the COVID-19 pandemic, we have taken preventive measures, such as disinfection routines, self-quarantine, mandatory hygienic practices, social distancing and establishing an epidemic management team to closely monitor and respond to the pandemic. As this stage, it is difficult to quantify the economic impact arising from the COVID-19 pandemic on our financial position and operating results. As the COVID-19 pandemic continues to evolve, we have prudently and flexibly adjusted our resources labor and supply chain to mitigate the impact on its operations. We will continue to closely monitor the progression the COVID-19 pandemic, evaluate and proactively assess and respond to its impact on the financial position and operating results of the Group. In May 2021, some of the Group's production sites were shut down or decreased their production due to the COVID-19 pandemic, including those in India, Malaysia, Mexico, Vietnam, etc. Our revenue might fluctuate accordingly. Please refer to "Risk Factors — Risks Relating to our Industry and Business — We are vulnerable to any force majeure events or natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings".

The impact of natural disasters and power shortage on our business operations.

In early 2021, the ROC has experienced drought and power shortage that has threatened and may continuously threaten our production capability because our manufacturing process requires water and electricity. Moreover, in July 2021, certain regions of the PRC (including those where the Group currently operates, such as Zhengzhou) were impacted by major flooding caused by heavy rainfall. Please refer to "Risk Factors — Risks Relating to our Industry and Business — We are vulnerable to any force majeure events or natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings." and "— Our production facilities are subject to risks of water and power shortages".

Business Overview

Hon Hai Precision Industry Co., Ltd. is a leading technological solution provider, which has leveraged its expertise in software and hardware to integrate its unique manufacturing systems with emerging technologies. Its products and services are categorized as follows: (i) Components including a broad range of connectors, cable assemblies, enclosures and electronic and other components; (ii) Modules comprising system boards and subassemblies; and (iii) Systems comprising full system assembly of electronic products.

The Company is committed to developing and leading upgrades in the industry in moving from a labor intensive business to an intelligence intensive business, with labor-less factories, automation and the Company's "3+3" strategy categories, including the three industries of EV, digital health and robotics and three applications across AI, semiconductor and new generation communication. The Company also leverages its R&D capabilities and investments in new industries to achieve the restructuring and upgrade towards "Foxconn 3.0". The Company has invested and plans to continue to invest in its key "3+3" strategy.

The Company provides its customers, which are primarily in the 3C industries, with value-added end-to-end product solutions from design and development in the early stage to the final manufacturing and after-sales services. The Company identifies and targets industry leaders in the 3C industries with whom the Company believes it can develop long-term relationships. The Company's key customers include Apple, Cisco, Dell, HP and Huawei. The Company intends to concentrate its sales efforts on increasing penetration of its existing customers, as well as targeting new customers that are emerging industry leaders.

In transforming the business from a labor intensive industry to one that is intelligent intensive, the Company has formulated transformation and upgrade plans, with an advanced deployment of technologies and products in the future. The Company's strategic objective is to provide industry leaders in the 3C industries with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Company calls this strategy "e-enabled Components, Modules, Moves and Services", or "eCMMS". eCMMS stands for:

(i) Components: the Company's expertise in fast tooling, precision molding and quick turnaround to manufacture components in accordance with demanding technical specifications in a cost-effective manner;

(ii) Modules: the Company's capabilities in assembling self-produced components as well as externally procured parts into modules, and turning modules into systems, pursuant to customer specifications;

(iii) Moves: the Company's global supply chain management and logistics network to meet customers' fast turn-around demand; and

(iv) Services: the Company's timely and cost-effective end-to-end product solutions from design services in the early stage of a product to the final manufacturing and after-sales services tailored for each customer's need.

eCMMS differs from the traditional concept of contract electronic manufacturing by not only incorporating the concepts normally associated with contract electronic manufacturing such as providing a one-stop manufacturing and supply chain management solution to OEM clients, but also emphasizing the Company's capabilities in component manufacturing and assembly of modules in a cost-effective and timely manner. The Company believes that the eCMMS strategy will strengthen its manufacturing advantage in speed, quality, engineering services, flexibility and cost, and thereby solidify the Company's position as a leading electronics manufacturing services provider. The Company is also dedicated to enhancing the concept of environment sustainability in the manufacturing process and serving as a best-practices model for global enterprises.

In terms of EV, the Company has cultivated a global supply chain and is establishing in-house capabilities of key component manufacturing, structural R&D and system integration services. The Company plans to utilize this unique set of proficiencies to consolidate resources vertically from both upstream and downstream, which enables the Company to provide its customers with comprehensive "one-stop" solutions. As a leading technological solution provider for decades that is dedicated to technological innovation, the Company has founded a nonprofit organization to support the MIH EV Open Platform, whose core ethos is to share and propel the sustainable development of automotive ecosystem.

For the year ended December 31, 2020, the Company generated consolidated operating revenue of NT$5,358,023.1 million (US$188,132.8 million) and consolidated net income of NT$114,325.6 million (US$4,014.2 million), representing an increase of 0.28 per cent. and a decrease of 13.5 per cent., respectively, over the same period in the previous year. For the three months ended March 31, 2021, the Company generated consolidated operating revenue of NT$1,347,112.8 million (US$47,300.3 million) and consolidated net income of NT$30,979.3 million (US$1,087.8 million), representing an increase of 45.0 per cent. and 1,340.8 per cent., respectively, over the same period in the previous year.

The Company was incorporated on February 20, 1974. The Company changed its name in 1982 to "Hon Hai Precision Industry Co., Ltd." and registered as a company limited by shares. The Company is registered with the Ministry of Economic Affairs of the ROC under a uniform registration number of 04541302. The Company has been listed on the TWSE since 1991 under the registration number of 2317. In 2004, the Company merged with Ambit Microsystems Corporation, a manufacturer of communications modules and systems such as modules and adaptors for wireless local area network as well as cable modems. In 2005, the mobile phone and smart phone ODM business unit of the company, FIH Mobile (Stock Code: 2038) was listed on The Stock Exchange of Hong Kong Limited. In 2006, the Company merged with Premier Image Technology Corporation, a leading manufacturer of camera modules and optical components for digital cameras, projectors and other electronic products in the ROC. In 2016, the Company invested in Sharp Corporation, a Japanese multinational corporation that designs and manufactures electronic products. On July 13, 2017, FIT Hon Teng (incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited and carrying on business in Hong Kong as FIT Hon Teng Limited) (Stock Code: 6088), a consolidated subsidiary of the Company, was listed on The Stock Exchange of Hong Kong Limited and on June 8, 2018, Fii (Stock Code: 601138), another consolidated subsidiary of the Company, was listed on the Shanghai Stock Exchange. Fii is a world leading professional design and manufacturing service provider of communication network equipment, cloud service equipment, precision tools and industrial robots, providing customers with intelligent manufacturing services for new forms of electronic equipment products centered on the industrial internet platform.

Industry Overview

In view of the regulatory requirements and a shift in consumer behavior, throughout the years, the Company has actively addressed social and environmental responsibility issues, both on a company level and at an industry level with the electronic industry citizenship coalition, especially even more so with the COVID-19 pandemic. As a result of COVID-19 pandemic and the resultant social distancing policies, there has been a substantial increase in people working from home. This has driven an increase in demand for cloud communication, computers and cloud computing equipment.

The Company remains committed to dedicating resources to address issues as such as energy saving, carbon emissions, recycling and environmentally friendly initiatives. The Company intends to continue to leverage innovations in software and technologically services to expand environmental protection and energy industry, promote global energy savings, emission reduction, as seen in the Company's focus on the development of the "3+3" industries, namely the three main areas of EV, digital health and robotics and three technological applications of AI, semiconductor and new generation communication. The principal factors that the Company had considered in choosing the abovementioned industries are as follows:

- maximizing economies of scale;
- rapid growth with two-digit compound annual growth rate; and
- building synergy for the Company's competitive advantage.

The industry in which the Company operates is composed of companies that provide a range of manufacturing and design services to customers that design, develop and sell electronic products.

Historically, the industry experienced significant changes and growth as an increasing number of companies outsourced and continue to outsource some or all of their design, manufacturing, and distribution tasks.

The intensely competitive nature of the electronics industry, the increasing complexity and sophistication of electronic products, the continued pressure on OEMs to reduce product costs and the shorter life cycles of electronic products encourage OEMs to utilize contract manufacturing service providers as part of their overall business and manufacturing strategies. Utilizing contract manufacturing services allow OEMs to take advantage of the global design, manufacturing and supply chain management expertise of contract manufacturing service providers and enables OEMs to concentrate on product research, development, marketing and sales. Over the longer term, factors driving companies to outsource include:

- reduced product costs;
- reduced design and development costs;
- accelerated time-to-market, time-to-volume and time-to-profit production;
- access to worldwide design, engineering, manufacturing and logistics capabilities;
- improved inventory management and purchasing power;
- reduced capital investment in manufacturing and fixed costs; and
- ability to focus on core branding and research and development initiatives.

Competitive Advantages

The Company believes that it enjoys several key competitive advantages in its principal activities:

End-to-end product solution provider and vertically integrated production, offering customized solutions and flexible cost structure

The Company's end-to-end solutions for entire products provide a one-stop shop solution for its customers, capitalizing on its global scale in procurement, manufacturing, supply chain management, system assembly and logistics network. Moreover, the Company's global scale allows for a strong bargaining power vis-a-vis suppliers and vendors and enable it to lower production costs at several stages of the production process. The Company's eCMMS strategy and high level of vertical integration of production provide its customers with customized solutions and flexible cost structure. These are only possible with the large scale of the Company which the Company believes has provided and will continue to provide a competitive advantage over its competitors.

Strong and reliable integration capabilities for optomechatronics engineering and manufacturing

The Company's strong integration capabilities for optomechatronics engineering and manufacturing have enabled it to better optimize operational efficiency at several stages of the production process, starting from design for manufacturing and tool construction to mass production automation. Such integration capabilities provide a reliable platform for the Company to develop high quality products and satisfy the following customers' requirements: (i) time-to-market; (ii) time-to-volume and; (iii) time-to-profit. In addition, the Company seeks to enhance its optomechatronics capabilities by continuing to invest in the technology for the manufacturing of related products. The Company believes that its substantial integration expertise in optomechatronics engineering provides it with a significant competitive advantage over competitors without such expertise, and that the capital investment and time needed to develop such expertise creates significant barriers to entry.

Strong research and development capabilities

The Company's strong research and development capabilities in optical, mechanical and electronics engineering are critical to its success. The Company believes that close involvement of its research and development teams with its customers at each stage of the design and development process positions the Company as an industry leader in technological innovation. For example, the Company believes that its focus on research and development and technological innovation has allowed it to establish a competitive position in 5G technologies, including patent applications, and the "3+3" strategy including in the three industries of EV, digital health and robotics and in three applications across AI, semiconductor and new generation communication. The Company plans to continue to invest in research and development, including in-house research and development activities, joint development with certain major customers, and joint research and development programs with external research institutes and universities. Such resources focus on developing new products, providing manufacturing solutions to customers, improving production efficiency and lowering unit manufacturing costs.

Focused strategic cooperation with key industry leaders

The Company has established strategic cooperation arrangements with some of the world's leading manufacturers in the 3C industries and in the "3+3" strategy related industries, and the Company plans to continue to develop such strategic cooperation with other industry leaders. In addition to manufacturing, the Company engages in joint product development, testing and applications development with certain industry leaders who are customers of the Company and, in some cases, engages in co-investment in the development of new products. To strengthen strategic co-operations, the Company devotes significant resources to research and development in order to stay at the forefront of optomechatronics engineering and manufacturing processes. In light of the Company's development in EV and semiconductor field, the Company has established joint ventures with industry leaders including Geely, Heitec and Yageo.

The Company believes that by (i) being involved in the early stages of product design and development with industry leaders, (ii) working with industry leaders to devise manufacturing solutions for their products, (iii) providing quick turn-around prototyping and manufacturing services and (iv) offering global supply chain management solutions for customers in order to provide one-stop manufacturing and global logistics solutions, the Company will further strengthen business relationships with its customers. The Company also believes that the diversity of its customers, products and services help mitigate the Company's exposure to downturns in any one specific industry or geographic location.

Strategy

The Company's strategic objectives are (i) to focus on maximizing existing business profitability and improving efficiency, (ii) to leverage digital transportation to enhance performance and lower expense further, (iii) to increase efficiency, downsize costs and optimize products and services by analyzing big data, (iv) to apply edge computing and Artificial Intelligence of Things ("**AIoT**") develop a cutting edge Industrial Internet of Things ("**IIoT**") industry, (v) to aim at being a leader of building up a comprehensive AIoT environment, and also (vi) to move from a labor intensive business to an intelligence intensive business, with labor-less factories, automation and the Company's "3+3" strategy, including in the three industries of EV, digital health and robotics and in three applications across AI, semiconductor and new generation communication.

Concentrate on industry leaders and expand product and service portfolio

The Company intends to concentrate its sales efforts on increasing penetration of its existing customers, currently concentrated in the 3C industries, as well as targeting new customers that are industry leaders. The Company does not market or sell retail products under its own brand name, which allows the Company to position itself as a partner of such industry leaders in the development and manufacture of components, modules and complete systems rather than as a potential competitor to such industry leaders. The Company has established and will continue to develop strategic cooperation with industry leaders and plans to continue to develop such strategic cooperation with other industry leaders as part of its effort to attract new customers.

The Company focuses its eCMMS solutions around the demands of its customers pursuant to its strategy of becoming the strategic partner for its customers. The Company endeavors to deepen its relationship with each of its customers by expanding upstream and downstream to internally provide a greater portion of the components and manufacturing services for each end product. In addition, the Company intends to expand its product portfolio including EV industry in response to customers' requests as they develop new products and to assist them with penetrating nascent markets with the Company's global supply chain and logistics network.

Further enhance core engineering skills and vertically integrated production processes to shorten delivery time, accelerate time-to-volume and reduce cost

The Company intends to further develop its core manufacturing capabilities including its enhanced core engineering skills and vertically integrated production processes to provide eCMMS solutions for its customers. Its ability to customize and manufacture a substantial portion of the key components used in the full system assembly of products, as well as to vertically integrate the production process and globally synchronized manufacturing capabilities, has enabled the Company to shorten delivery time, accelerate time-to-volume and reduce cost.

The Company plans to continue to strategically expand production facilities and further refine its manufacturing process in each stage. It also plans to attract, develop and retain local talent in Asia, Europe and Americas. The Company's global production facilities and capable local talent enable the Company to allocate mass production to local production facilities, while at the same time engaging in product development, prototyping and final configuration services at production facilities close to customers' facilities or end-markets. The Company's global network also enables the Company to obtain key components locally, and to synchronize its worldwide manufacturing and delivery network.

Continue expanding global supply chain management capabilities to provide more comprehensive solutions

The Company views global Supply Chain Management ("**SCM**") capabilities as essential to satisfying the "moving" needs of its eCMMS customers. The Company's global SCM involves not only its assembly capability, but also the ability to source components in each of Asia, Europe and Americas, its three major geographical regions. The Company's MRP system, ERP system and EDI system complement the Company's global SCM system and enable the Company to implement its policy of just-in-time delivery of key components required for production and assembly. The Company also provides its customers with an in-house developed web-based turnkey system, allowing customers online order input capability and enabling them to monitor inventory levels of raw materials and components, work-in-progress and finished products, and production and delivery schedules. The Company plans to continue to expand its existing global SCM capabilities to provide more comprehensive solutions.

Further investment in research and development capabilities to drive innovation

The Company attributes its past success to the development of strong research and development capabilities. It plans to continue the development and expansion of its core technologies by utilizing several regions and locations as bases for research and development. By further developing existing core technologies and adding new core technologies, the Company aims to further expand its offerings, particularly green manufacturing processes and green products, which the Company believes will be its next major growth area. The Company believes that its research and development capabilities provide a unique market differentiator that allows it to provide a full suite of design services and manufactured products to its customers.

Expand through potential acquisitions, joint ventures, partnerships and other strategic transactions

The Company seeks to undertake strategic transactions that give it the opportunity to access new customers, manufacturing and service capabilities, technologies and geographical markets, to lower its manufacturing costs and improve margins, and to further develop existing customer relationships.

Potential future transactions may include a variety of different business arrangements, including acquisitions, spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, relocation of facilities, business combinations and equity or debt investments. The Company intends to continue to evaluate and pursue strategic opportunities on a highly selective basis.

Products and Services

The Company's products and services consist principally of (i) Components, including a broad range of connectors, cable assemblies, enclosures and electronic and other components; (ii) Modules comprising system boards and subassemblies; and (iii) Systems comprising full system assembly of electronic products. In addition, the Company launched its MIH EV Open Platform in October 2020 to accelerate the innovation and development of the EV industry in response to the emerging market needs.

Components

The Company designs, manufactures and sells a wide variety of electronic and other components, including connectors, wires and cables, casings, PCBs and enclosures. The Company also manufactures a broad range of enclosures with numerous materials including metal, plastics and die cast materials. Connectors and cable assemblies manufactured by the Company are also used internally in the manufacture of enclosures and system boards and full system assemblies.

Modules

Modules are integrated subsystems that use a combination of industry standard and/or custom components. Modules manufactured by the Company are used in the full system assembly of PCs, game consoles and mobile handsets, among others. The Company provides a broad range of services for the manufacture of modules including procurement and material management, assembly, test engineering, quality assurance and shipment to points of end-user distribution.

Systems

The Company provides final system assembly in which assemblies and modules are combined to form complete and finished products; the Company integrates printed circuit board assemblies that are self-manufactured with enclosures, cables and modules that it also produces. With the Company's optical, mechanical, electronics, material science and SCM expertise, its experience in high quality mass production at a competitive cost, and its vertically integrated production process, the Company offers full system assembly of 3C products ranging from desktop and laptop PCs and servers to smartphones and game consoles.

The Company offers products in four main product categories, namely (i) Smart Consumer Electronics including smartphones, TVs, game consoles, etc.; (ii) Cloud and Networking Products comprising servers, communication network, etc.; (iii) Computing Products comprising computers, tablets, etc.; and (iv) Components and other products including connectors, mechanical parts, services, etc.

Smart Consumer Electronics:

The Company designs, manufactures and sells a wide variety of Smart Consumer Electronics including smartphone devices, feature phones, wearable devices and smart entertainment devices such as television sets, game consoles, set-top boxes, and audio systems.

Cloud and Networking Products:

Cloud and Networking Products designed and manufactured by the Company include network communication and cloud equipment and systems used by businesses and general consumers as well as the devices used by consumers such as routers, servers, edge computing, data centers and satellite communications.

Computing Products:

Computing Products designed, manufactured and assembled by the Company comprise electronic computing equipment for work and daily life, such as desktop computers, laptops, tablets, multi-function devices and printers.

Components and other products:

Components and other products including key components for the supply chain, such as connectors and optical components, electronic components, semiconductor products, automotive equipment and related services and integrated services of emerging industries covering logistics warehousing, software development, healthcare services and integrated services of industrial internet.

MIH EV Open Platform

The Company founded a nonprofit organization to support the MIH EV Open Platform and to boost the growth of the whole EV market. The MIH EV Open Platform provides all joining partners and developers with the essential hardware and software components to build upon and facilitates the formation of a complete EV industry ecosystem.

Production Process

As part of its overall eCMMS strategy, the Company manufactures a substantial portion of the components required for the manufacture of its final products. This high degree of vertical integration allows the Company to achieve cost savings and helps to ensure that the components meet the Company's quality specifications. The in-house manufacture of components also provides the Company with greater flexibility in customizing components to match customers' specifications.

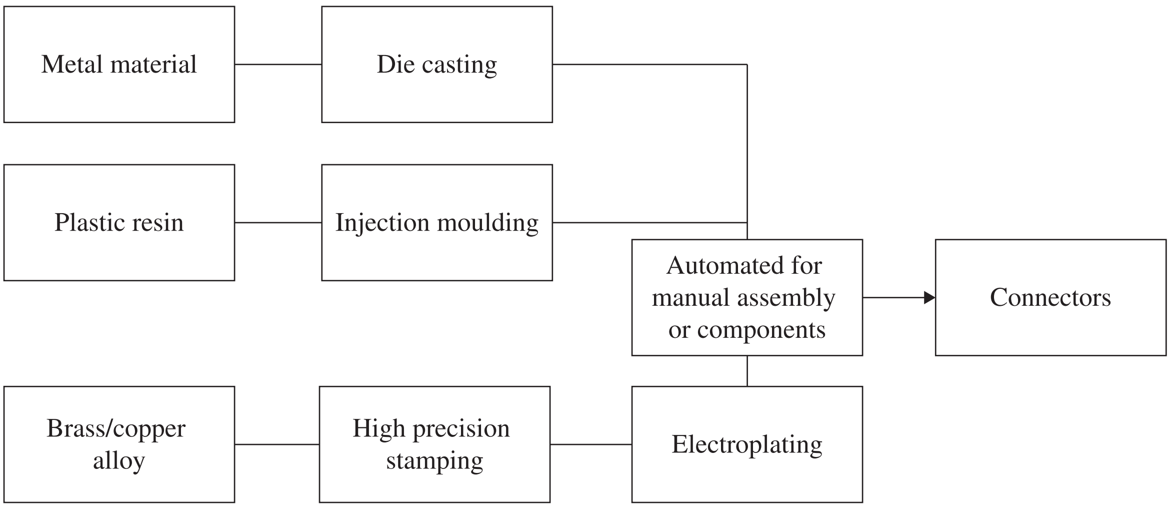
The quality of most of the Company's products depends, to a significant extent, on the quality and precision of the dies and molds used for the production of metal and plastic components. The Company's manufacturing capability is also enhanced by the use of Computer Aided Design and Manufacturing ("**CAD/CAM**") tools to customize and automate molding and tooling equipment and the production process and to design prototypes of new products. The Company utilizes an internal database to track the design and development process for new products. This database and tracking process has enabled the Company to maintain high quality standards, and reduce the time and cost required to design, develop and manufacture new products. Quality control tests are conducted on organic and metallic materials used in the production process. In addition, quality control procedures and tests are conducted at each manufacturing and assembly stage. The Company also arranges for certain of its customers to conduct periodic on-site quality inspections.

Components

The production process for connectors and cable assemblies manufactured by the Company is highly integrated and most of the components of connectors and the cable assemblies are produced in-house.

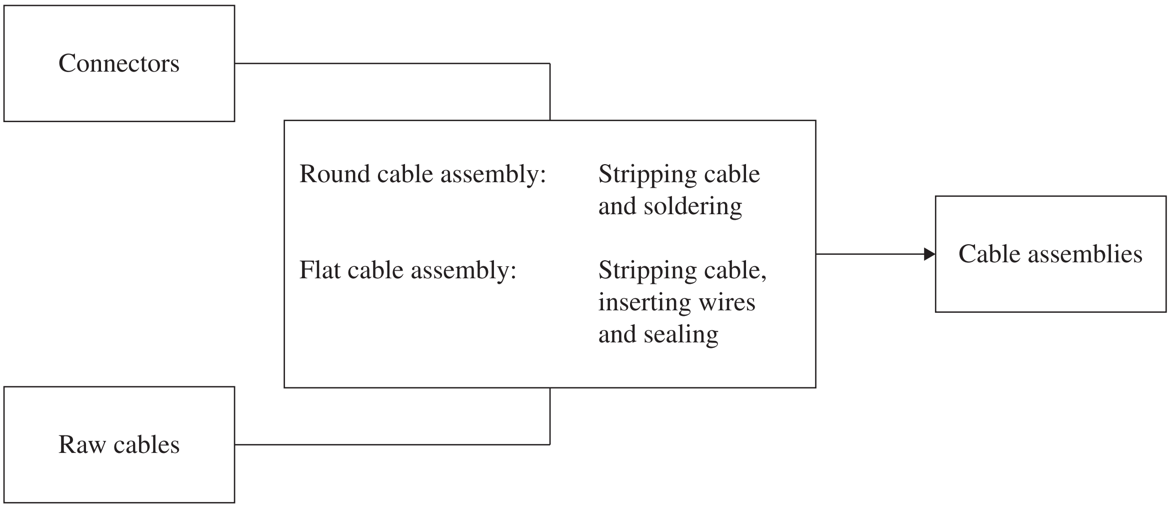
Connectors

The manufacture of connectors consists of the production of plastic and metal components and final assembly.



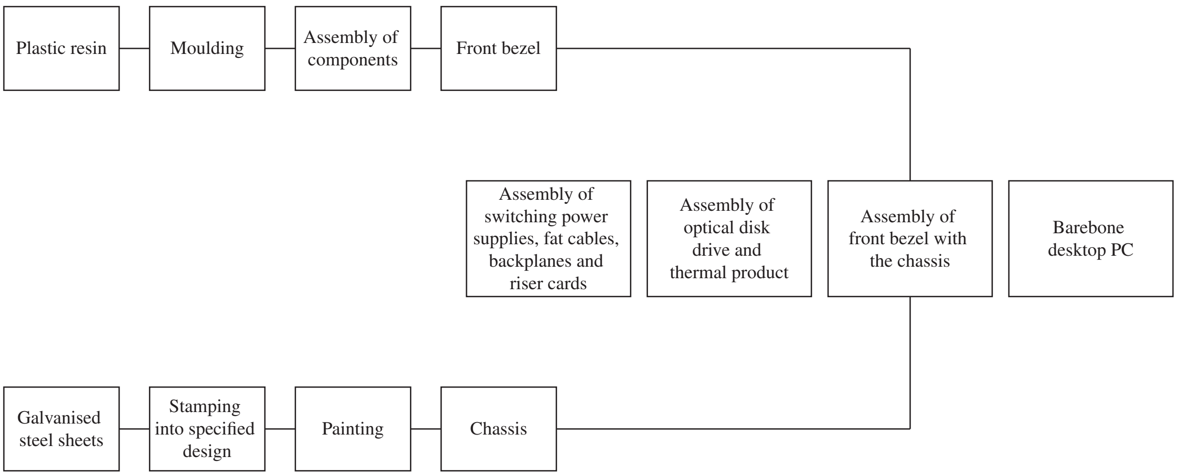
Round and flat cable assemblies

The production process for cable assemblies is similar to that for connectors, except that it involves the additional steps of cutting cables into specified lengths and soldering electronic components onto the cables.



Enclosures

The diagram below sets out the production process for a typical PC enclosure. The production processes for other types of enclosures are broadly similar.



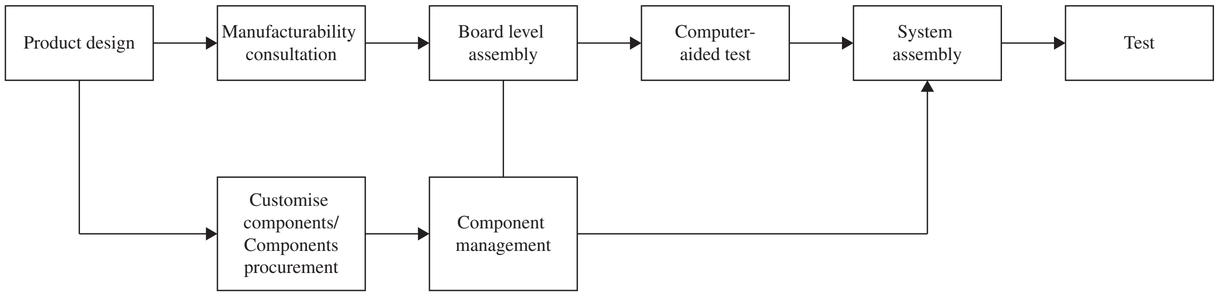
The production process for PC enclosures involves the production of chassis and final assembly. Components and peripherals are assembled into various types of enclosures according to customers' specifications. The Company manufactures the chassis, connectors and cable assemblies, flat cables, thermal products, backplanes and riser cards used in the manufacture of enclosures and purchases the remaining components and peripherals from third party suppliers.

Modules — System Boards

The following diagram shows the principal steps in the manufacture of system boards:

Systems — Full System Assembly

The Company provides board-level assembly utilizing surface mount technology ("**SMT**") as well as system-level assembly. The following diagram shows the principal steps in the full system assembly process:



End Markets

Substantially all of the Company's products and services, whether in the form of components, modules or full system assembly, have end-use applications in the computer, communications or consumer electronics industries.

Computer

The Company manufactures (i) commodity-level PC connectors and higher value-added CPU connectors for desktop and laptop PCs; (ii) connectors for use in high-end PC workstations and servers; (iii) cable assemblies primarily for use in desktop and laptop PCs and servers; (iv) enclosures for desktop and laptop PCs and servers; and (v) full system assembly of desktop and laptop PCs and servers.

Communications

The Company manufactures connectors used in communications equipment, including mobile handsets, gigabit Ethernet channels for local area networks and public branch exchanges. It also manufactures cable assemblies for use in mobile handsets and wireless systems, such as radio frequency cables used to transfer data between servers and end-users or to enable access to the Internet without any external cables.

The Company manufactures on an OEM basis enclosures for communications products such as mobile handsets, smart phones, access point devices and Internet Protocol phones. In addition, the Company manufactures on both OEM and ODM bases enclosure for networking equipment such as switches and routers.

Beginning in 2002, the Company commenced offering full system assembly of mobile handsets. The Company also produces optical components and camera modules for mobile handsets.

Consumer Electronics

The Company manufactures input/output connectors and board-to-board connectors used in consumer electronic products such as game consoles, digital video players and LCD-TVs. For game consoles, the Company manufactures enclosures and provides full system assembly on an OEM basis. It also produces digital music players and digital cameras.

Raw Materials and Components

The Company has implemented various inventory and resource management systems to enable it to plan the global allocation of its resources, which helps to ensure an adequate and timely supply of principal raw materials and components. Each production division within the Company is responsible for procuring and ascertaining the quality of its raw materials and components.

The Company acquires materials and components through purchase agreements and purchase orders with its suppliers. The table below sets forth the principal raw materials and components used in the manufacture of the Company's products:

Products	Raw materials and components
Components and others	
Connectors and cable assemblies . .	Potassium gold cyanide, phosphorus bronze, plastic resin, copper alloy and raw cables
Electronic and other components . .	PCBs, connectors and passive components such as capacitors and resistors
Enclosures	Galvanised steel sheets, plastic resin, optical disk drives, card readers, switching power supplies, connectors and riser cards
System boards	PCBs, connectors, passive components such as resistors, capacitors and oscillators and active components such as ICs and chipsets
Systems	
Full system assembly Consumer products mobile handsets, game capsules	Battery packs, baseband and radio frequency chipsets, solid state filters, LCDs, ICs, plastic parts, metal sheets, cable assemblies, connectors, adapters, system boards, riser cards and expansion cards
Enterprise products server, data center	Server enclosures, system boards, sub-system (add-on) cards, PSU, HDD, DIMM, CPU, rack cabinet, PDU, switch, cable kits, optics link, PCM mobile, IOM module, chassis enclosures, drives (HDD), sub-systems: PCBA, PSU, HDD, DIMM, fan module, cabling, CPU, rack cabinet, PDU, switch and optics link
Computing products	Housing assy, NAND, LCD, camera, Wifi module and HSG, tablets, desktop and laptop PCs enclosures, system boards, cathode ray tubes, riser cards and expansion cards,

Technology, Research and Development

The Company utilizes proprietary management methods for IIDM-SM (Integration, Innovation, Design, Manufacturing to Sales and Marketing) coupled with precision molding, material technologies, sustainable manufacturing technology, SMT manufacturing technology, heat transfer technology, plastic processing, metal processing, testing capacities, automation capacities, photoelectric consolidation technologies, motherboard design, E-commerce capabilities, server design, wireless communications and light display modules to achieve core competitive advantages.

The Company considers its research and development activities critical to the continued success of its business. The Company's research and development efforts are focused on the following areas:

- design and development of new products, including collaboration with industry leaders;
- devising manufacturing solutions for the Company's customers;

- development of key technologies and expertise in material engineering optomechatronics, energy efficiency solutions and process automation to maintain its leadership position in these areas; and

- design and development of new production processes to improve production efficiency and reduce overall manufacturing costs; and

- establishment of Hon Hai Research Institute to strengthen the Company's in-house technology capability and in-depth study of prospective technology applications.

The Company believes that close involvement of its research and development teams with its customers at each stage of the design and development process positions the Company as an industry leader in technological innovation.

Previous new products from the Company's research and development efforts include flat panel displays, backlight modules, nano batteries, nano thermal solutions, aspheric lens for mobile phone camera, backplane connectors, high speed board to board connectors, high speed module jack connectors and burn-in/test sockets. The research and development department is currently focused on wireless networks, materials science and green manufacturing process in connection with application in 3C and other products, as well as chip design and manufacturing to be used in the Company's development of IIoT. The Company's global research and development center in Dingpu is fitted with precision machinery, precision molds and nanotechnology research facilities. The Company also intends to establish IIoT research labs, robotics research facilities and labs catered to IIoT and AI applications.

In June 2020, the Company launched Hon Hai Research Institute (the "**Institute**") which is an important step in the Company's "3+3" strategy to strengthen the Company's in-house technology capability and enrich its innovative product pipeline. The Institute includes five research centers, namely the AI research center, semiconductor research center, next-generation communications research center, information security research center and quantum computing research center, each of which has an average of 40 R&D professionals. The Institute also obtains advices from an advisory committee which comprises renowned academics and entrepreneurs.

Sales and Marketing

The Company identifies and targets industry leaders in the 3C industries with whom the Company believes it can develop long-term relationships. The Company intends to concentrate its sales efforts on increasing penetration of its existing customers, as well as targeting new customers that are emerging industry leaders.

Export sales outside of the ROC, which were mostly denominated in U.S. dollars, accounted for virtually all of the Company's consolidated operating revenue for the year ended December 31, 2020.

The Company has entered into corporate purchase agreements with certain of its key customers. However, such agreements do not obligate the customers to place an order with the Company. These agreements typically require the customers to provide rolling forecasts of the quantities of the products required. The Company's MRP system utilizes these rolling forecasts to plan the inventory levels for the Company's raw materials and components and the utilization of its production capacity. The precise terms for each shipment, such as pricing and quantities, are normally confirmed at the time each order is placed. Customers' orders are subject to cancellations and modifications before scheduled delivery dates.

The Company's principal customers generally are invoiced either at the time of shipment of the products or upon receipt of the products, with varying credit terms, depending, in part, on the customer's location and the product type. The Company's pricing policy takes account of a number of factors including customer relations, product specification, cost of production, mode of transportation and size of order.

The Company typically provides a warranty to its customers for its products. The Company believes that it has historically experienced a relatively low rejection rate for its products as a result of its quality control assurances system.

Supply Chain Management

The Company believes that an effective system of global SCM is critical to its eCMMS strategy.

The Company has installed the following systems to enhance its global SCM system:

- The MRP system, which enables the Company to manage its suppliers by implementing more effectively the "just-in-time" concept and also provides a projection of the raw materials required in the Company's production operations.

- The ERP system, which provides inventory data to control the level of stocks and receivables, which enables the Company to more effectively plan and allocate its resources worldwide.

- The EDI system, which enables the Company to exchange data (including details of purchase orders) relating to particular transactions with its suppliers, customers and services providers.

- In addition, the Company has developed an in-house web-based turnkey system for certain of its customers. This customized system enables its customers to input their orders online and monitor the inventory level of raw materials, components, work-in-progress and finished goods, and the production and delivery schedules for such products.

The Company offers customers a flexible, just-in-time delivery service by coordinating delivery shipments with customers' inventory requirements. Increasingly, consistent with the Company's eCMMS strategy, the Company delivers products directly to its customers' distribution channels or to end-users. The Company believes that this service provides its customers with a comprehensive logistics solution and enables such customers to be more responsive to market demands.

Competition

Components

The Company competes against a number of multi-national companies, including Luxshare in the global connector market. Certain contract electronic manufacturing services providers also produce enclosures as part of their vertical integration strategy and therefore effectively compete with the Company.

Modules and Systems

The contract electronic manufacturing industry, which engages in PCBAs and full system assembly, is comprised of a large number of companies. The Company's competitors include Flextronics, Jabil Circuit, Luxshare, Pegatron and Quanta. The Company believes that the primary basis of competition in full system assembly for the 3C industries is the ability to provide a competitive overall manufacturing cost, mechanical engineering capabilities, a highly vertically integrated production process, flexibility, consistent quality of products and the ability to provide services in a timely manner. To remain competitive, the Company believes it must continue to provide competitive pricing, maintain stringent quality levels, and offer speedy, flexible and reliable delivery. See "Risk Factors — Risks Relating to our Industry and Business — The Group operates in a highly competitive industry".

Principal Production Facilities

The Company's production facilities are located in Asia, Europe and Americas and consist of a global network of industrial parks, regional manufacturing operations as well as design and engineering centers. The following table sets out the geographical region and location of the principal production facilities of the Company as of December 31, 2020:

Geographical Region	Location
ROC	Taipei City, New Taipei City, Taoyuan City, Hsinchu County, Taichung City, Miaoli County, Tainan City, Kaohsiung City
PRC	Guangdong, Zhejiang, Jiangsu, Hebei, Shanxi, Guangxi, Hubei, Shandong, Beijing, Henan, Tianjin, Sichuan, Shanghai, Hunan, Guizhou, Chongqing, Anhui

Geographical Region	Location
Asia (excluding ROC and PRC) . . .	Singapore, Vietnam, India, Japan, Korea, Thailand, Malaysia
Europe	Czech Republic, Slovakia, Hungary, UK, Russia
Americas	United States, Mexico, Brazil
Australia	Australia

Employees

As of December 31, 2020, the Company's global workforce totaled approximately 800,000 employees.

For its employees based in the ROC, the Company participates in defined benefit pension plan in accordance with the ROC Labor Standards Law, covering all regular employees for services provided prior to July 1, 2005 and employees who chose to remain in the benefit pension plan after the ROC Labor Pension Act became effective on July 1, 2005. The Company makes contributions based upon employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan as trustee under the name of an independent retirement fund committee. In accordance with the ROC Labor Pension Act, the Company has a defined contribution employee retirement plan covering all ROC employees. The Company contributes 6 per cent. of an employee's monthly salary and wages to the personal pension account of such employee each month with the ROC Bureau of Labor Insurance. Employees may choose to receive pension on a monthly basis or to receive a lump sum payment upon retirement in the amount of the balance in the personal pension account plus accumulated investment gains. The Company's employees in the ROC are not unionized and neither the Company nor any members of the Company has experienced any significant labor disputes in the past five years.

For its employees at the PRC facilities, the Company is required to participate in various pension programs and government-sponsored benefits. The Company has also implemented certain measures such as: reducing overtime hours for its employees, enhancing health and safety measures in all operations and revising a number of workplace policies and practices to ensure that it is providing its employees with a safe, satisfactory and healthy workplace.

For employees at the Company's other facilities outside of the ROC and PRC, the Company participates in various pension and government-sponsored benefit programs as required by the regulations in the applicable jurisdiction.

FIH Mobile, a consolidated subsidiary of the Company, adopted a share option scheme and a share scheme in 2013. FIT Hon Teng, a consolidated subsidiary of the Company, adopted a share option scheme in 2017, a first restricted share award scheme in 2018 and a second restricted share award scheme in 2019. The board of directors of Fii, another consolidated subsidiary of the Company, adopted the stock option scheme in 2019. The Company itself does not have any share option schemes.

Intellectual Property

The Company has made substantial investments in the development of new products and product designs, which the Company believes is one of its competitive advantages. See "— Technology, Research and Development" above. As a result, the Company places emphasis on the protection of its intellectual property rights. As of December 31, 2020, the Company had registered approximately 4,821 patents in the ROC, approximately 2,408 patents in the PRC, approximately 5,209 patents in the United States and approximately 695 patents in Japan.

The Company also has registered trademarks for FOXCONN and in the ROC, the PRC, the United States and the European Union.

Environmental Issues

The Company has installed waste treatment facilities and implemented waste treatment procedures in each of its production facilities to treat waste discharged during the production process. The types of waste discharged include wastewater, polluted air emissions, metal trim waste products and non-hazardous wastes. Waste produced by the Company is treated before being discharged in compliance with applicable environmental standards in the jurisdiction where the facility is located. Furthermore, the Company has established its CSR committee which dedicates to amplify the Company's corporate social responsibility and ensure that its operations will comply with its social and environmental code of conduct.

The Company believes that it is in compliance in all material respects with applicable environmental regulations currently in effect. Though the Company may face actions arising in the ordinary course of its business by the environmental regulatory authorities in some of the jurisdictions where it operates, the Company is not involved in any material legal proceedings relating to any breach of environmental laws and regulations which may have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

As per the requirements of its customers, the Company has received ISO 14001 and ISO 50001 certification for certain of its facilities which certifies that its production operations conform to the prescribed environmental management system standard.

Litigation

In 2006, three of the Company's indirectly wholly-owned subsidiaries, Shenzhen Futaihong Precision Industrial Co., Ltd., Hongfujin Precision Industry (Shenzhen) Co. Ltd. and Foxconn Precision Component (Beijing) Co., Ltd., filed an appeal to the High Court of Hong Kong against, amongst others, BYD Company Limited for misappropriation of confidential information and trade secrets. The Company does not believe that the litigation will have a material adverse effect on its business, financial condition, results of operations and future prospects. See "Risk Factors — Risks Relating to our Industry and Business — We may be involved in intellectual property disputes, especially in the new industries that we recently entered into".

In March 2019, Microsoft Corporation and Microsoft Licensing, GP commenced proceedings in California against the Company over a dispute regarding royalty payments under a patent licensing agreement. While this dispute had reached a settlement in September 2020, the Company may still from time to time encounter future litigation initiated by its customers or third parties based on claims that the Company's technologies, processes or products infringe the intellectual property rights of others or that the Company has misappropriated the trade secrets of others. See "Risk Factors — Risks Relating to our Industry and Business — We may be involved in intellectual property disputes, especially in the new industries that we recently entered into".

During the years ended December 31, 2019 and 2020, the Company was also subject to legal or other disputes arising in the ordinary course of its business. The Company does not believe that any of these proceedings will have a material adverse effect on its business, financial condition, results of operations and future prospects.

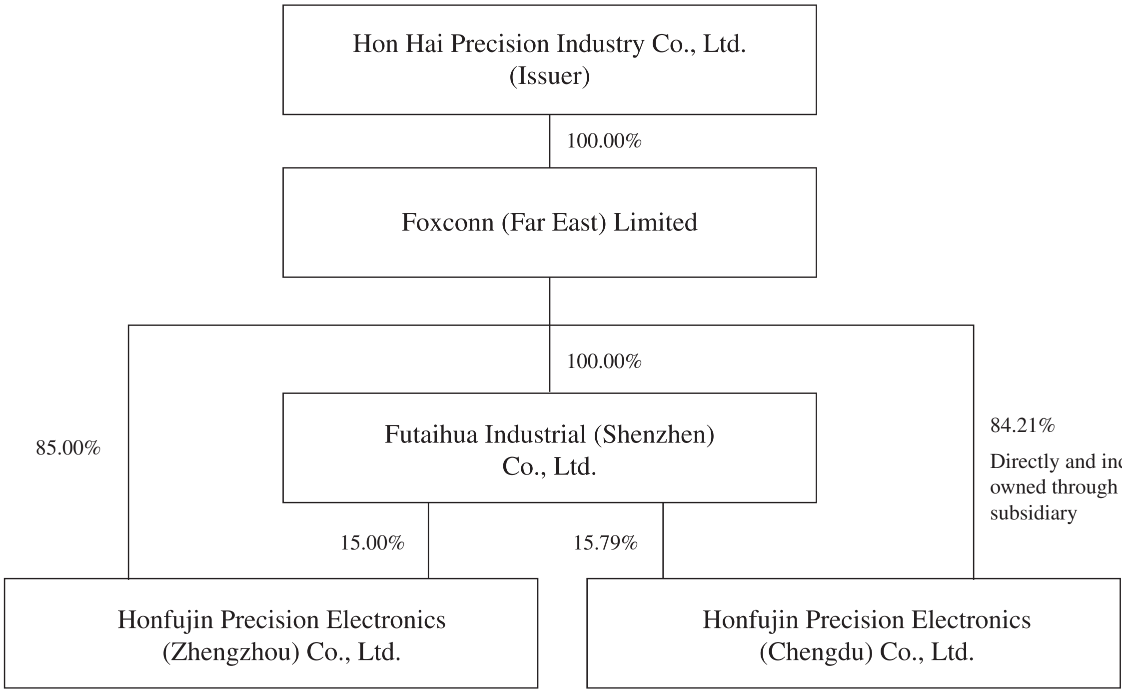
Except as described above, neither the Company nor any members of the Company is, or has been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the preceding 12 months, a material effect on the financial position of the Company as a whole.

Insurance

The Company maintains various insurance policies with independent third party insurers in respect of certain risks on the Company's assets, including losses to its production facilities and inventory. The Company maintains a global transit insurance policy with independent third party insurers in connection with the transportation of its raw materials, products and equipment worldwide. The Company also maintains product liability insurance policies in respect of its products. The Company considers its insurance policies to be in line with industry standards.

Organization of the Company

The following diagram gives an overview of the Company and certain of its principal subsidiaries as of December 31, 2020, together with details of the Company's direct and indirect equity interests:



Certain Principal Subsidiaries

In the ROC, most of the business of the Company is conducted, and assets of the Company are held, directly by or through Hon Hai Precision Industry Co., Ltd., while its subsidiaries hold the Company's production facilities in Asia, Europe and Americas and conduct the Company's overseas sales, marketing and research and development operations. The information set out below reflects the Company's direct and indirect equity interests in its certain principal subsidiaries as of December 31, 2020.

Company	Main business	Place of incorporation	Total paid-in capital	The Company's direct and indirect equity interest
			(in thousands)	
Principal Subsidiaries				
Futaihua Industrial (Shenzhen) Co., Ltd.	Manufacturing and marketing of computer components and computers	PRC	US$370,000	100%
Honfujin Precision Electronics (Zhengzhou) Co., Ltd.	Manufacturing and marketing of cell phones and components	PRC	US$2,000,000	100%
Honfujin Precision Electronics (Chengdu) Co., Ltd.	Manufacturing and marketing of tablet PCs	PRC	US$950,000	100%

Note:

(1) There has been no material change in the Company's direct and indirect equity interests in each of its certain principal subsidiaries and affiliates since December 31, 2020.

Futaihua Industrial (Shenzhen) Co., Ltd.

Futaihua Industrial (Shenzhen) Co., Ltd. ("**Futaihua Shenzhen**") was established in the PRC in March 2007. Its registered office is at Buildings 4, 6, 7 and 13 (section I) of the B Block Workshop, Foxconn Guanlan Technology Park, Third Community, Guanlan Sub-District, Longhua New District, Shenzhen, PRC. Futaihua Shenzhen is engaged in the manufacture of Apple products, main logic boards, and finished products assembly, testing and maintenance.

As of and for the year ended December 31, 2020, Futaihua Shenzhen had total assets, revenue and net profit of RMB103,898 million (US$15,862 million), RMB98,514 million (US$15,040 million) and RMB5,183 million (US$791 million), respectively, and these are prepared in accordance with Taiwan IFRS.

Honfujin Precision Electronics (Zhengzhou) Co., Ltd.

Honfujin Precision Electronics (Zhengzhou) Co., Ltd. ("**Honfujin Zhengzhou**") was established in the PRC in July 2010. Its registered office is at The Comprehensive Bonded Area, East-Side Of Changan Road, Zhengzhou Airport District, China. Honfujin Zhengzhou is engaged in the production and operation of the third generation and newer mobile communication system, mobile phone and base station, core network and testing equipment and its accessories, electronic devices components, digital audio, video decoding apparatus and its accessories; development, design and manufacture of automation equipment, metal and non-metallic products die mold, testing tools and its accessories, LED display panel, mobile phone components, electronic devices; repair and warehousing of the above products; wholesale, import and export, complementary measures, product exhibition of the above products; bonded area warehousing and logistics; development of mobile communication system; testing, system integration, application services and related technical services and consulting; sales for polishing slurry, cleanser, cutting fluid, hydraulic oil, lubricant, Radio Frequency IDentification ("**RFID**") reader, RFID tag, industrial data collector, industrial computer, testing and gauging equipment; eco-technology services.

As of and for the year ended December 31, 2020, Honfujin Zhengzhou had total assets, revenue and net profit of RMB174,779 million (US$26,684 million), RMB306,157 million (US$46,742 million) and RMB1,418 million (US$216 million) respectively, and these are prepared in accordance with Taiwan IFRS.

Honfujin Precision Electronics (Chengdu) Co., Ltd.

Honfujin Precision Electronics (Chengdu) Co., Ltd. ("**Honfujin Chengdu**") was established in the PRC in July 2010. Its registered office is at Chengdu High-tech District Export Processing Zone. The address is No. 888, He-Zuo Road, Hi-tech West Zone, Chengdu, China. Honfujin Chengdu is engaged in the manufacture of third and newer generation mobile communication system, mobile phone and subsequent base station, core network equipment and network testing equipment and spare parts, hardware plastic products, precision molds, large and medium-sized computer, portable computer, server, data communication multimedia system.

As of and for the year ended December 31, 2020, Honfujin Chengdu had total assets, revenue and net profit of RMB69,406 million (US$10,596 million), RMB163,825 million (US$25,011 million) and RMB471 million (US$72 million), respectively, and these are prepared in accordance with Taiwan IFRS.

MANAGEMENT

The Board of Directors has ultimate responsibility for the management of the business affairs of the Company. At present there are nine directors, three of which are Independent Directors, who are elected by the shareholders of the Company at the Company's shareholders' meeting. The term of office for directors is three years.

Under the Company's Articles of Incorporation, the Board of Directors is required to elect a director to act as the Chairman. The Chairman is a legal representative of the Company under the ROC Company Law. The Company's Articles of Incorporation also require the election of at least two independent directors and the number of independent directors shall not be less than one-fifth of the total number of directors. The Company's Articles of Incorporation further provide that the power of the supervisor is replaced by the Audit Committee composed of all but not less than three independent directors of the Company. Under the ROC Securities and Exchange Act, the Audit Committee has the same power of a supervisor of a company, which is responsible for overseeing the activities of the Board of Directors and has the power to investigate the business and financial conditions of the Company, examine its books, records and documents and request the Board of Directors to submit reports. The Audit Committee may engage independent experts to carry out any such investigations or examinations at the cost of the Company. The Audit Committee may convene shareholders meetings when it deems necessary.

The present Board of Directors was elected by the shareholders of the Company on June 21, 2019 for a term of three years commencing on July 1, 2019. Tai Cheng-Wu had resigned from the Board of Directors effective from June 1, 2020. Gou Tai-Ming retired as Chairman of the Board of Directors and General Manager of the Company with effect from June 22, 2019.

Directors

Liu Young-Way

Liu Young-Way, aged 65, is the Chairman of the Board of Directors and General Manager of the Company. Mr. Liu also serves as the Chairman of Foxsemicon Integrated Technology Inc. He was also the president of the Company's S subgroup and previously a director of Sharp Corporation.

Lee Jay

Lee Jay, aged 64, is the representative of Hon Jin International Investment Co. Ltd., the Corporate Director of the Company. Mr. Lee was also the Vice Chairman of Fii, having resigned on September 3, 2019. He also serves as an Ohio Eminent Scholar and L.W. Scott Alter Chair Professor at the University of Cincinnati.

Gou Tai-Ming

Gou Tai-Ming, aged 71, is a Director of the Company. Mr. Gou was the Chairman of the Company from February 20, 1974 to June 22, 2019.

Lu Fang-Ming

Lu Fang-Ming, aged 67, is a Director. He served as the acting Chairman of the Company from June 22, 2019 to June 30, 2019. Mr. Lu is also the Chairman of APT and the trustee manager of Asian Pay Television Trust. Mr. Lu was the corporate director of the Company, as a representative of Hon Jin International Investment Co. Ltd. from July 1, 2010 to June 30, 2019.

Lu Sung-Ching

Lu Sung-Ching, aged 63, is the representative of Hon Jin International Investment Co. Ltd., the Corporate Director of the Company. Mr. Lu is also the Chairman of FIT, Hon Teng.

Liu Christina Yee-Ru

Liu Christina Yee-Ru, aged 66, is the representative of Fulldream Information Co., Ltd. and a Director of the Company. Dr. Liu also serves as a Managing Director of Bellwether International Group, Hong Kong. Dr. Liu has been a Director of the Company since June 1, 2020.

Wang James

Wang James, aged 61, is an Independent Director of the Company. Mr. Wang also serves as an independent director of HannStar Board Corporation and Apex Medical Corp and a supervisor of GGA Corp. Mr. Wang has been an Independent Director of the Company since January 31, 2018.

Kuo Tei-Wei

Kuo Tei-Wei, aged 57, is an Independent Director of the Company. Mr. Kuo is also a Distinguished Professor at the Department of Information Engineering, National Taiwan University. Prior to this, Mr. Kuo has held various positions at the National Taiwan University, including Acting Principal and Professor and Dean of the Department of Information Engineering.

Kung Kuo-Chuan

Kung Kuo-Chuan, aged 53, is an Independent Director of the Company. Mr. Kung is also the Managing Partner of Nexus Point Advisors (HK) Limited.

As of April 25, 2021, the Directors, including any connected persons (which includes their spouses, children under the age of 20 years and nominees), held, directly or indirectly, 9.75 per cent. of the Company's issued common shares. Their respective shareholdings are set out below:

	Number of common shares held as of April 25, 2021	Percentage of total common shares outstanding as of April 25, 2021
Liu Young-Way	656,219	—
Gou Tai-Ming	1,342,198,518	9.68%
Lu Fang-Ming[(2)]	7,928,592	0.06%
Hon Jin International Investment Co., Ltd.[(3)]	1,483,078	0.01%
Lee Jay	0	—
Lu Sung-Ching[(4)]	5,923	—
Fulldream Information Co., Ltd.[(5)]	10,560	—
Liu Christina Yee-Ru	50,000	—
Wang James	0	—
Kuo Tei-Wei	0	—
Kung Kuo-Chuan	0	—
Total number of common shares held by the Directors, including any connected person[(1)]	1,352,332,890	9.75%

Notes:

(1) Includes the shares held by the Director, his or her spouse, children under the age of 20 years and nominees but excludes the shares held in trust.

(2) 1,199,012 shares are currently held by connected persons of Mr. Lu Fang-Ming as of April 25, 2021.

(3) Mr. Lee Jay and Mr. Lu Sung-ching are the representatives of Hon Jin International Investment Co., Ltd.

(4) 3,523 shares are currently held by connected persons of Mr. Lu Sung-Ching as of April 25, 2021.

(5) Dr. Liu Christina Yee-Ru is the representative of Fulldream Information Co, Ltd.

None of the Directors has any options to subscribe for the common shares.

The aggregate remuneration and benefits in kind declared in favor of the Board of Directors of the Company for the year ended December 31, 2020 in their capacity as Directors was NT$22.7 million (US$0.8 million). The Company has no loans outstanding to any of its Directors and has no outstanding guarantees of any obligations of any of its Directors.

No loans or advances were made by the Company or any of its subsidiaries to, and no guarantees were given by the Company or any of its subsidiaries in relation to loans or advances received by, the Directors and none of the Directors has or has had interests in transactions which are or were unusual in their nature or conditions or significant in relation to the business of the Company or any of its subsidiaries and which were affected by the Company during the current financial year or the financial year immediately preceding the date of this document, or were affected by the Company during earlier financial years and remain, in any respect, outstanding or unperformed.

PRINCIPAL SHAREHOLDER

The principal shareholder of the common shares of the Company as of April 25, 2021, as appears on the register of shareholders of the Company, was as follows:

Name of Shareholder	Number of common shares[1]	Percentage of share capital
Gou Tai-Ming	1,342,198,518	9.68

Note:

(1) Excludes the common shares held in trust.

As of April 25, 2021, Mr. Gou Tai-Ming, directly or indirectly, owned or controlled in aggregate 9.68 per cent. of the outstanding and issued common shares. Whilst Mr. Gou Tai-Ming has retired as Chairman of the Board of Directors and General Manager of the Company with effect from June 22, 2019, as a principal shareholder, Mr. Gou Tai-Ming is expected to continue to have significant influence in determining the outcome of any corporate transaction and also the power to prevent or cause a change in control. The interests of Mr. Gou may differ from the interests of other shareholders. See "Risk Factors — Risks Relating to our Industry and Business — Principal shareholder's interests may differ from those of other shareholders".

CHANGES IN ISSUED SHARE CAPITAL

The following table sets forth the changes in the Company's issued share capital as at the dates indicated:

Date	Type of issue	Number of Common Shares issued	Number of Common Shares Outstanding
		(in thousands)	*(in thousands)*
August 2000	Capital Increase by Earnings Recapitalization	352,900	1,452,900
August 2001	Capital Increase by Earnings Recapitalization	315,880	1,768,780
August 2002	Capital Increase by Earnings Recapitalization	296,117	2,064,897
August 2003	Capital Increase by Earnings Recapitalization	454,277	2,519,174
July 2004	Capital Increase for the Merger with Ambit Microsystems Corporation	238,024	2,757,198
October 2004	Capital Increase by Earnings Recapitalization	473,801	—
	Conversion of Convertible Bonds	23	3,231,023
May 2005	Conversion of Convertible Bonds	7,696	3,238,718
August 2005	Conversion of Convertible Bonds	45,806	3,284,525
September 2005	Capital Increase by Earnings Recapitalization	718,647	4,003,171
November 2005	Conversion of Convertible Bonds	35,151	4,038,323
April 2006	Conversion of Convertible Bonds	61,630	4,099,953
September 2006	Capital Increase by Earnings Recapitalization	889,991	4,989,944
March 2007	Capital Increase by Earnings Recapitalization	178,195	5,168,139
September 2007	Capital Increase for the Merger with Premier Image Technology Corp.	1,122,628	6,290,767
October 2008	Capital Increase by Earnings Recapitalization	1,123,857	7,414,623
June 2009	Capital Increase by Earnings Recapitalization	1,164,308	8,578,932
September 2010	Capital Increase by Earnings Recapitalization	1,082,316	9,661,248
August 2011	Capital Increase by Earnings Recapitalization	1,027,849	10,689,097
September 2012	Capital Increase by Earnings Recapitalization	1,146,770	11,835,867
October 2013	Capital Increase by Earnings Recapitalization	1,292,840	13,128,707
October 2014	Capital Increase by Earnings Recapitalization	1,664,700	14,793,407
June 2015	Issuance of Restricted Stocks to Employees	355,000	15,148,407
October 2015	Capital Increase by Earnings Recapitalization	844,881	15,993,288
December 2015	Cancelation of Restricted Stocks to Employees	(355,000)	15,638,288
December 2016	Capital Increase by Earnings Recapitalization	1,690,450	17,328,738
September 2018	Cash Capital Reduction	(3,465,747)	13,862,991

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of August 5, 2021 (the "**Indenture**"), between Hon Hai Precision Industry Co., Ltd. (the "**Issuer**" or the "**Company**") and Citicorp International Limited, in its capacity as trustee (the "**Trustee**"). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available (upon reasonable advance notice being given to the Trustee) for inspection by any Holder on or after the Closing Date (as defined below) during normal business hours at the corporate office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

General

Except in certain limited circumstances, Bonds will only be issued in book-entry form.

The Bonds will be issued on or about August 5, 2021 (the date on which the Bonds are issued under the Indenture being referred to herein as the "**Closing Date**") as direct, unconditional, unsecured and unsubordinated payment obligations of the Issuer limited in aggregate principal amount to US$700,000,000 and will be redeemed on August 5, 2026 (the "**Maturity Date**") unless earlier redeemed, repurchased and canceled or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible, subject to compliance with certain conditions and procedures (see "— Conversion — Procedures; Conversion Notice; Taxes and Duties" below), at the Holder's election on any Business Day during the period (the "**Conversion Period**") commencing on November 8, 2021 (the next day immediately after the end of a three-month period following the Closing Date) and ending at the close of business in the location of the applicable Paying Agent (as defined below) on (i) the 30th day prior to the Maturity Date or (ii) the fifth (5th) Business Day prior to the applicable Purchase Date of such Bond or date fixed for redemption (other than the Maturity Date) of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Bonds will be payable in U.S. Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer, exchange or conversion, at the office or agency of the Issuer maintained for such purpose (the "**Paying Agent**") located in London, England.

The Issuer reserves the right, subject to the provisions of the Indenture and the applicable Paying Agent and Registrar Appointment Letter, at any time to vary or terminate the appointment of any Paying Agent and to appoint further or other Paying Agents, *provided* that the Issuer will at all times maintain a Paying Agent having offices in London, England. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US$200,000 and any integral multiple of US$100,000 in excess thereof. See "— Book Entry; Delivery and Form" below. No service charge will be payable for any registration of transfer or exchange of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. A Bond purchased by the Issuer shall be canceled and cannot be re-issued. A Bond does not cease to be outstanding because any of the Issuer's Affiliates holds such Bond; *provided, however,* any Bonds owned by any Affiliate of the Issuer will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

Book Entry; Delivery and Form

The Bonds will only be represented by a permanent global bond in fully registered book-entry form without interest coupons (the "**Global Bond**") and will be deposited with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") and registered in the name of a nominee of the Common Depositary. If (i) at any time the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US$200,000 and any integral multiple of US$100,000 in excess thereof.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See "Transfer Restrictions of the Bonds".

Ranking

The Bonds will (i) be direct, unconditional, unsubordinated and unsecured payment obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such other Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture) or (y) is preferred by mandatory provisions of law, and (iii) be senior in right of payment to all Debt of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations and other obligations similar to those of negative pledge as described in "— Certain Covenants — Negative Pledge" of the Issuer with respect to claims against the assets securing such obligations ("**Secured Debt**"). As of May 31, 2021, the Issuer had no outstanding Secured Debt.

Sinking Fund

The Bonds will not be entitled to the benefit of a sinking fund.

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

In the event Certificated Bonds are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the specified office of any Paying Agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "**Form of Transfer**") duly completed and executed and any other evidence that such Paying Agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the Paying Agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the Paying Agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new

Certificated Bonds shall be made at the specified office of such Paying Agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Paying Agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any Paying Agent, but only upon confirmation of payment (or the giving of such indemnity as such Paying Agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Bondholder may require the transfer of a Certificated Bond to be registered during the period of 15 days ending on (and including) a Redemption Date.

Payments

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Company shall be payable and settled in U.S. Dollars only.

The definitions of certain terms used in this section and the Indenture are listed below.

"*Fixed Exchange Rate*" means the fixed rate of US$1.00=NT$27.978.

"*Independent Investment Bank*" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Company and notified in writing to the Trustee and the Paying Agent.

"*NT Dollars*" or "*NT$*" means the lawful currency for the time being of the ROC.

"*Prevailing Rate*" for each Rate Calculation Date, means a rate determined by the Company in good faith as follows:

(a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one U.S. Dollar, quoted by Taipei Forex Inc.;

(b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Company in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Company will request the Taipei office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for NT Dollars and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

As soon as practicable after the Prevailing Rate has been determined, the Company will notify the Paying Agent by email or facsimile of the Prevailing Rate and the applicable Settlement Equivalent on the Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of determining the Prevailing Rate, whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Issuer, the Trustee, the Agents and all Bondholders.

"*Rate Calculation Date*" means the day which is two Business Days before the due date of the relevant amount.

"*Reference Dealers*" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Company.

"*Settlement Equivalent*" for the relevant Rate Calculation Date in respect of any U.S. Dollar-denominated amount payable in respect of the Bonds, means such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to U.S. Dollar amount using the applicable Prevailing Rate on such date.

"*U.S. Dollars*" or "*US$*" means the lawful currency for the time being of the United States of America.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as "**Additional Amounts**") as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

(i) any Taxes that would not have been imposed but for:

  (A) the existence of any present or former connection between the Holder of such Bond and the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;

  (B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of and other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30-day period; or

  (C) the presentation of such Bond for payment in the ROC, unless such Bond could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of Taxes referred to in the preceding clauses (i) and (ii).

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of principal of and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

Redemption of the Bonds

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice one Business Day in advance of such notice to the Holders to the Trustee and the Paying Agent, at the Settlement Equivalent of the Early Redemption Price (as defined below) on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an officer's certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the ROC, the date on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee (i) an officer's certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "— Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

At any time on or after August 5, 2024, the Bonds will be redeemable at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice one Business Day in advance to the Trustee and the Paying Agent, at the Settlement Equivalent of the Early Redemption Price on the Redemption Date; *provided, however,* that no such redemption may be made unless:

(1) the Closing Price of the Common Shares on each Trading Day during a period of 20 consecutive Trading Days (the "**Calculation Period**"), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the Conversion Price (as defined below) multiplied by the Early Redemption Price and divided by US$200,000; and

(2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an Independent Investment Bank, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Issuer to the Trustee and the Paying Agent.

Notwithstanding the foregoing sentence, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice one Business Day in advance to the Trustee and the Paying Agent, at the Settlement Equivalent of the Early Redemption Price on the Redemption Date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period (as defined herein).

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Issuer will redeem the Bonds on the Maturity Date at the Settlement Equivalent of 97.97% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described above.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to any Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to a Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the outstanding principal amount of each Bond held by such holder to be redeemed, the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds will expire.

Repurchase of the Bonds

Repurchase of the Bonds at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right (the "**Holder's Put Right**"), at such Holder's option, to require the Issuer to repurchase in U.S. dollars all (or any portion of the principal amount thereof which is US$200,000 or any integral multiple of US$100,000 in excess thereof) of such Holder's Bonds, on August 5, 2024 (the "**Holder's Put Date**") at a repurchase price equal to the Settlement Equivalent of the Early Redemption Price (the "**Holder's Put Price**").

Repurchase of Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (an "**Event of Delisting**"), each Holder shall have the right (the "**Delisting Put Right**"), at such Holder's option, to require the Issuer to repurchase all but not part of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding the Delisting referred to under "— Repurchase Procedures" below (the "**Delisting Put Date**") at the Settlement Equivalent of the Early redemption Price on the Delisting Put Date (the "**Delisting Put Price**").

Repurchase of Bonds in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the "**Change of Control Put Right**"), at such Holder's option, to require the Issuer to repurchase all but not part of such Holder's Bonds on the date set by the Issuer for such repurchase (the "**Change of Control Put Date**"), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee and the Paying Agent in writing of the Change of Control, at the Settlement Equivalent of the Early Redemption Price on the Change of Control Put Date (the "**Change of Control Put Price**").

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Holder's Put Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time to permit the Trustee and the Paying Agent to mail to each Holder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be, which notice shall state, as appropriate:

(A) the Holder's Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "**Purchase Date**");

(B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(D) the date by which the Holder Purchase Notice (as defined below) must be given;

(E) the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(F) the names and addresses of all Paying Agents;

(G) briefly, the Conversion Right (as defined below) of the Holders of the Bonds and the then current Conversion Price and the date on which the right to convert such Bond will expire;

(H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and

(I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to purchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "**Holder Purchase Notice**") to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder's Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which Holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" means, with respect to any Person (the "**Specified Person**"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Agent*" means any registrar, paying agent, conversion agent and transfer agent.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, Singapore, London, and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

"*Capital Stock*" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

"*Certificated Bonds*" means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee, which may be delivered in exchange for the Global Bond in certain circumstances.

"*Change of Control*" occurs when:

(1) any person or persons (as defined below) acting together acquires Control of the Issuer if such person or persons does not or do not have, and would not be deemed to have, control of the Issuer on the Closing Date;

(2) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity; or

(3) one or more other Persons acquire the legal or beneficial ownership of all or substantially all of the Issuer's Capital Stock.

However, a Change of Control will not be deemed to have occurred (i) solely as a result of the issuance or transfer, with the Issuer's cooperation, of any preferred shares in the Issuer's capital or (ii) if the Closing Price per Common Share for any five Trading Days within the period of ten consecutive Trading Days ending immediately after the later of the Change of Control or the public announcement of the Change of Control equals or exceeds 110% of the Conversion Price in effect on each of those five Trading Days, provided that for the purpose of determining the Closing Price used in "Repurchase of Bonds in the Event of Change of Control" above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

"*Closing Price*" means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by an Independent Investment Bank, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under "*Trading Day*" below); *provided that* for the purpose of determining the Closing Price used in "Redemption at the Option of the Issuer" above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

"*Common Shares*" means shares of the common stock of the Issuer, par value NT$10.0 per share.

"*Control*" means the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

"*Conversion Price*" means the initial conversion price of NT$163.17 per Common Share set forth on the cover of this Offering Circular, subject to adjustment in the manner provided in "— Conversion — Adjustments to the Conversion Price" below.

"*Debt*" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

"*Default*" means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined in the Indenture).

"*Early Redemption Price*" means for each US$200,000 in principal amount of the Bonds, the amount which represents a gross yield of -0.41% per annum, calculated on a semi-annual basis up to the Redemption Date on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

"*FSC*" means the Financial Supervisory Commission of the ROC.

"*Holder*", "*holder*" and "*Bondholder*" in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

"*Lien*" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

"*Market Value*" means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an Independent Investment Bank.

"*Person*" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each ease whether or not being a separate legal entity) limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization; *provided* that in the context of a Change of Control, a Person does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries.

"*Principal Subsidiary*" means, with respect to any Person, any Subsidiary (1) whose net sales, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated net sales of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (2) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

"*Purchase Date*" has the meaning specified under the caption "— Repurchase Procedures" above, "*Redemption Date*" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled or converted in accordance with its terms prior to the Maturity Date.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Subsidiary*" means, with respect to any Person, any entity of which more than 50% of its Capital Stock is owned directly or indirectly by such Person.

"*Taxing Authority*" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"*Trading Day*" means (a) with respect to the Common Shares, a day when the TWSE is open for business, *provided, however,* if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (b) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer and notified to the Paying Agent for this purpose (the "**Selected Exchange**") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; *provided, however,* if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"*TWSE*" means Taiwan Stock Exchange Corporation.

Certain Covenants

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, "International Investment Securities" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a "**Merger**"), unless:

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an officer's certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the ROC, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

In the event of any such Merger, the provisions described under "— Additional Amounts" and "— Redemption for Taxation Reasons" above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate.

Conversion

Conversion Right

Each Holder will have the right (the "**Conversion Right**") during the Conversion Period to convert its Bonds (being US$200,000 in principal amount or any integral multiple of US$100,000 in excess thereof), at the option of such converting Holder, upon delivery of an irrevocable notice (the "**Conversion Notice**") at the office of any Paying Agent, on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered, into Common Shares; *provided, however,* that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. "Closed Period" means (i) the 60-day period immediately prior to the date of any of the Company's ordinary shareholders' meetings; (ii) the 30-day period immediately prior to the date of any of the Company's extraordinary shareholders' meetings; (iii) the period from the fifteenth business day prior to the fifth day before the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) the period from the record date of any capital reduction to the day immediately preceding the date on which the Common Shares resume trading after such capital reduction; (v) the period from the commencement of the suspension of the conversion (subscription) in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares; and (vi) such other periods during which the Company may be required to close its stock transfer books under ROC laws and regulations and the rules of the TWSE applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least 7 days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the Fixed Exchange Rate) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in NT Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one NT Dollar with NT$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Anti-dilution Adjustment (as defined below).

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Issuer unless (i) it is a PRC qualified domestic institutional investor (“**QDII**”) who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Investment Commission of the Ministry of Economic Affairs if it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, “PRC person” means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area, or in countries outside of the ROC or PRC that is directly or indirectly controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by, any such person, resident, agency, instrumentality, corporation, partnership or entity.

ROC Procedures for Foreign Persons Holding Common Shares

Under the existing ROC law, a non-ROC converting Holder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Holder must also appoint a custodian in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent, referred to as a Tax Guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise. For more details, see “Appendix A — Foreign Investment and Exchange Controls in the ROC” in this Offering Circular.

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible will be deemed to satisfy the Issuer's obligation to pay the principal of and other amounts on such Bonds.

See “Risk Factors — Risks Relating to Ownership of the Bonds and the Common Shares — The market for the Bonds and the Common Shares may not be liquid”.

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder’s expense during the Conversion Period to the office of any Paying Agent a Conversion Notice, in the form then obtainable from the office of any Paying Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, *inter alia,* an appointment of a local agent by such converting Holder and the name and address of such local agent.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the applicable Paying Agent that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Paying Agents in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with a Paying Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the “Deposit Date”. The “Conversion Date” applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), which day must be a Trading Day and must fall within the Conversion Period. The Holder must therefore satisfy all such conditions on or before the Business Day prior to the end of the Conversion Period.

Conversion Notices shall be deposited at the office of any Paying Agent on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered. Upon receipt of such Conversion Notices, the Paying Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer’s register of shareholders as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to ROC laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation (“**TDCC**”) or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Anti-dilution. The Conversion Price will be subject to adjustment ("**Anti-dilution Adjustment**") in the circumstances described below:

(i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a distribution of Common Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

NCP = OCP x [N / (N + n)]

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be).

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

(ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or

(b) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any warrants which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(v) In case the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares) at less than the Market Value of such indebtedness, assets or Capital Stock, determined as of the date on which the Board of Directors of the Issuer approves such distribution, then in each such case the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [(M - fmv) / M]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant Shareholder.

(vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula;

NCP = OCP x [(M - C) / M]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on such record date.

C = the amount of cash so distributed applicable to one Common Share.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

(vii) (a) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and does not distribute any cash in connection with such share capital reduction, then the Conversion Price in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

NCP = OCP x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

n = the number of Common Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares repurchased for the purpose of holding such Common Shares in treasury.

(b) If the Company shall reduce its share capital other than by means of canceling any Common Shares repurchased for the purpose of holding such Common Shares in treasury and shall distribute cash in connection with such share capital reduction, the Conversion Price then in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

NCP = (OCP - C) x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (a) of this subsection above.

C = the amount of cash distributed per Common Share.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares repurchased for the purpose of holding such Common Shares in treasury.

(c) Effective date of adjustment: Such adjustment shall become effective immediately on the record date of such capital reduction.

(viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Company, at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the "**Expiration Date**") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [(N x M) / (a + [(N - n) x M])]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "**Purchased Shares**").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Company; (C) Common Shares issued as stock-based employee compensation; or (D) Common Shares issued in any of the circumstances described in subsections (i) and (ii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.

n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.

v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiplied by "n" would purchase at Market Value; *provided* that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the fair value per common share of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation. The fair value per common share of such entity shall be (x) in the case of a listed company, the closing price of its common share on the date on which the share swap ratio was approved by the shareholder's meeting; or (y) in the case of a private company, the fair value falling into the fair value of such entity as determined by an independent expert in its fairness opinion, times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

(x) In case the Issuer reissues the Common Shares to change the par value of the Common Shares, then the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times (N / n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Common Shares outstanding immediately prior to such change of par value of Common Shares.

n = the number of Common Shares outstanding immediately after such change of par value of Common Shares.

Such adjustment shall become effective immediately on the record date for exchanging the Common Share with new par value for the Common Shares with original par value.

(xi) In any case in which the Indenture shall require that an adjustment be made immediately following a record date, the Issuer may elect to defer the effectiveness of such adjustment (but in no event until a date later than the effective date of the event giving rise to such adjustment), in which case the Issuer shall, with respect to any Bond converted after such record date and before such adjustment shall have become effective, (i) defer issuing to the holder of such Bond the number of Common Shares issuable upon such conversion in excess of the number of Common Shares issuable thereupon only on the basis of the Conversion Price prior to adjustment, and (ii) not later than 20 days after such adjustment shall have become effective, issue to such holder the additional Common Shares issuable on such conversion.

(xii) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

A. the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;

B. the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;

C. the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;

D. the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;

E. the record date of capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;

F. the record date for exchanging the Common Share with new par value for the Common Shares with original par value which requires an adjustment of the Conversion Price pursuant to subsection (x) above;

G. the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or

H. the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (i) under subsections (iii), (iv), (ix) and (x) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (ii) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

With the provisions in this subsection unaffected, where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Company, a modification to the operation of the adjustment provisions is required in order to yield the intended result, such modification shall be made, with the assistance of an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee, as may, in the opinion of the Company, be appropriate to yield such intended result.

(xiii) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture provided that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in "— Repurchase of the Bonds — Repurchase of Bonds in the Event of Change of Control".

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT$10 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be made to two decimal places with 0.005 being rounded upwards.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Paying Agent an officer's certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Paying Agent will prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to each Holder of a Bond.

Events of Default; Notice and Waiver

The Indenture provides that, if an Event of Default as defined therein shall have occurred and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding may, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), declare the principal of the Bonds to be immediately due and payable at the Settlement Equivalent thereof. In the case of certain events of bankruptcy or insolvency, the principal amount shall automatically become and be immediately due and payable. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

(i) default in payment of the principal of any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;

(ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;

(iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;

(iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding;

(v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US$75 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 60 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US$75 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of

US$75 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors.

The Trustee shall, within 30 days after the occurrence of any Default, mail to all Holders of the Bonds notice of all Defaults of which the Trustee shall have received written notice, unless such Defaults shall have been cured or waived and the Trustee shall have been notified so in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives prefunding and/or security and/or indemnity satisfactory to it from Holders against any loss, liability or expense. No Holder of a Bond will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

(i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;

(iii) such Holder or Holders shall have offered to the Trustee pre-funding and/or security and/or indemnity satisfactory to the Trustee against any loss, liability or expense satisfactory to it;

(iv) the Trustee shall have failed to comply with the request within (x) 60 days after receipt of the written notice pursuant to clause (ii) above or (y) 60 days after the receipt of pre-funding, security and/or indemnity offered pursuant to clause (iii) above, whichever occurs later; and

(v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Rights of Holders of the Bonds or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each Bond as described in "— Meeting of Bondholders; Modification and Waiver" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Issuer will be required to furnish to the Trustee annually, and at any time at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee written notice of the occurrence of any Default or Event of Default.

Prescription

Claims in respect of payment of principal of or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant due date of payment in respect thereof.

Under ROC laws, claims in respect of the payment of (a) principal and premium and (b) default interest would become unenforceable after 15 years and 5 years, respectively from the relevant due date of payment in respect thereof.

Meeting of Bondholders; Modification and Waiver

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in aggregate principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; *provided* that no such modification or amendment may, without the consent of each Holder of the Bonds affected thereby:

(i) change the Maturity Date of the principal of any Bond;

(ii) change the Holder's Put Date;

(iii) reduce the principal of or other amounts on any Bond or Settlement Equivalent payable in respect of the Bonds, or change the method of calculation of the Settlement Equivalent;

(iv) increase the then current Conversion Price (except as required by the anti-dilution provisions of the Indenture);

(v) change the place or currency of payment of principal of or other amounts on any Bond or the method of calculating any such payment;

(vi) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;

(vii) alter the obligations of the Issuer under "— Certain Covenants — Negative Pledge", "— Certain Covenants — Consolidation, Amalgamation or Merger" or "— Additional Amounts" above;

(viii) materially adversely affect the Conversion Right, the Holder's Put Right, the Delisting Put Right or the Change of Control Put Right;

(ix) modify the obligations of the Issuer to maintain an office or agency in London, England;

(x) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;

(xi) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Events of Default;

(xii) modify any of the percentage voting and quorum provisions described under "—Meeting of Bondholders; Modification and Waiver"; or

(xiii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder of any Bonds for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders of the Bonds that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder of the Bonds, the Issuer together with the Trustee may amend the Indenture to:

(i) cure any ambiguity, defect or inconsistency in the Indenture or the Bonds;

(ii) provide for the assumption of the Issuer's obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under "— Certain Covenants — Consolidation, Amalgamation or Merger" above;

(iii) make any other change that does not materially adversely affect the rights of any Holder of Bonds;

(iv) make any change necessary to comply with applicable ROC laws and regulations; or

(v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer.

Notices

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at such Holder's address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so mailed. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence.

Concerning the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Disclosure Obligations

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law:

(i) the person to be registered as a shareholder of the Company is a "related party" of the Company under Regulations Governing the Preparation of Financial Report by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or

(ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Paying Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Paying Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Company and the total number of Common Shares such person is converting or has converted in the past.

Governing Law and Jurisdiction

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Company has in the Indenture irrevocably submitted to the non-exclusive jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, The City of New York. The Company has appointed Law Debenture Corporate Service Inc., now at 801 2nd Avenue, Suite 403, New York, New York 10017, U.S.A., as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable ROC law.

TRANSFER RESTRICTIONS OF THE BONDS

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Common Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been registered under the Securities Act and the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Therefore, the Bonds are being offered and sold outside the United States in accordance with Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of the Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.

2. It is purchasing the Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.

3. It agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer any Bonds or the Common Shares, except as permitted by the applicable legend set forth in paragraph (4) below.

4. The Bonds will bear legends to the following effect, unless the Company determines otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

   THE BONDS ("BONDS") EVIDENCED HEREBY AND THE COMMON SHARES OF HON HAI PRECISION INDUSTRY CO., LTD. ("HON HAI") ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN AND ARE NOT EXPECTED TO BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

5. It understands that the Bonds will be represented initially by a Global Bond.

6. We, the Trustee, the Transfer Agent, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

7. Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

DESCRIPTION OF COMMON SHARES

Set forth below is a summary of information relating to the Company's share capital including brief summaries of the relevant provisions of the Company's Articles of Incorporation, the ROC Securities and Exchange Act and the ROC Company Act.

General

As of December 31, 2020, the Company's authorized share capital was NT$180,000,000,000, and the Company's paid-in share capital was NT$138,629,906,090, divided into 13,862,990,609 shares. The paid-in share capital is issued and outstanding and is held by the public shareholders and other investors in the ROC and elsewhere in the world. Any change in the authorized share capital of a public company limited by shares, such as the Company, requires an amendment to the Company's Articles of Incorporation (which requires approval at a shareholders' meeting) and the approval of the FSC and the Ministry of Economic Affairs, R.O.C. ("**MOEA**").

Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC.

Dividends and Distributions

Dividend payments and distributions are generally governed by the ROC Company Act as well as the Company's Articles of Incorporation.

Except in limited circumstances, the Company is not permitted to distribute dividends or make other distributions to shareholders for any year in which it does not have current or retained earnings (excluding reserves). The ROC Company Act requires that 10% of the Company's net income, less prior year's losses and outstanding tax, if any, be set aside as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. In addition, the Company may set aside a special reserve in accordance with applicable laws and regulations.

In addition to permitting dividends to be paid out of net income, if the Company does not have losses, the ROC Company Act permits the Company to make distributions in cash or in the form of additional Common Shares to its shareholders from the legal reserve and capital surplus of premium from issuing shares and earnings from gifts received. However, the portion payable out of the Company's legal reserve is limited to the extent the accumulated legal reserve exceeds 25% of the Company's paid-in capital.

The Company's Articles of Incorporation provide that the Company's net profit after tax shall be distributed in the following manner:

(i) making up accumulated losses;

(ii) setting aside a 10% legal reserve, unless the accumulated legal reserve equals the paid-in capital; and

(iii) setting aside or reverse the special reserve in accordance with ROC laws and regulations.

The remaining earnings along with the undistributed earnings at the beginning of the period are considered as accumulated distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the Board of Directors and resolved by the shareholders. However, to the extent that the dividend is to be distributed in the form of cash, such dividend may be so distributed after being approved by the affirmative vote of the directors at a Board of Director's meeting attended by two-thirds or more of the total number of the directors without the resolution by the shareholders.

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

Upon the final settlement of accounts, if there is any surplus profit (meaning the net profit before tax before deduction of employees' remuneration), the Company shall set aside 5% to 7% of the surplus profit (or a specific amount) as employees' remuneration which may be in the form of cash or shares, provided that, if the company has accumulated losses, it shall reserve an amount thereof for making up the losses. Employees (including those of subsidiaries of the Company) entitled to such remuneration shall meet certain requirements, where such requirements shall be determined by the Board of Directors and acknowledged by the shareholders.

Preemptive Rights

According to the ROC Company Act, when a company issues new common shares for cash, 10% to 15% of the issue must be offered to its employees. In addition, the ROC Securities and Exchange Act and the relevant securities regulations require that, if a public company listed on the TWSE or whose shares are traded on the Taipei Exchange (the "**TPEx**", formerly known as GreTai Securities Market) intends to offer new shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new shares subject to the preemptive rights of existing shareholder. Unless the percentage of shares to be offered to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have a preemptive right to acquire the remaining 75% to 80% of the issue. The shares not subscribed for by the employees and shareholders at the expiration of the period for the exercise of their rights may be sold to the public or specified persons at the direction of the Company's Board of Directors. The preemptive rights provisions will not apply to offering of new shares through a private placement approved at a shareholders' meeting. These preemptive rights do not apply to this Offering.

Meetings of Shareholders

Meetings of the Company's shareholders may be ordinary or extraordinary. Ordinary meetings of the Company's shareholders will generally be held within six months following the end of each fiscal year.

In contrast, extraordinary shareholders' meetings may be convened by resolution of the Board of Directors or, under certain circumstances, by the shareholders or independent directors.

Notice in writing of meetings of shareholders of a public company such as the Company, stating the place, time, date and agenda must be dispatched to each shareholder at least 30 days, in the case of ordinary meetings, and 15 days, in the case of extraordinary meetings, before the date set for each meeting.

Voting Rights

The Company's Articles of Incorporation provide that holders of Common Shares have one vote for each share. Except as otherwise provided by applicable laws, a resolution can be adopted by holders of a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. The election of directors (including independent directors) is by means of cumulative voting. Ballots for the election of directors are cast separately from those for the election of independent directors. The Company's Articles of Incorporation provide that the directors (including independent directors) shall be nominated by adopting the candidate nomination system specified in the ROC Company Act. In an election of directors, the holders of Common Shares shall elect directors from the list of nominated candidates.

In order for the Company to approve certain major corporate actions, including any amendment to the Company's Articles of Incorporation, entering into, modification or termination of any contracts regarding leasing of all business, outsourcing of operations or joint operations, the dissolution or amalgamation or spin-off of the Company, the transfer of the whole or substantial part of the Company's business or the Company's property, the taking over of a whole of the business or property of any other entity which would have a significant impact on the Company's operations, or the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding Common Shares at which the holders of at least a majority of the shares represented at the meeting vote in favor of the resolution.

Alternatively, in the case of a public company, such as the Company, such a resolution may be adopted by the shareholders' meeting convened with a quorum of holders of at least a majority of all issued and outstanding Common Shares at which the holder of at least two-thirds of the shares represented at the meeting vote in favor of the resolution.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to the Company five days before such meeting.

Register of Shareholders Record Dates and Publication of Information

The Company's share registrar, Grand Fortune Securities Co., Ltd., maintains the register of the Company's shareholders at its offices located at 6/F, No. 6, Section 1, Chung Shiao West Road, Taipei, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates representing the shares transferred.

The Company's shall, by giving advance public notice, set a record date and close the register of shareholders for a specified period (60 days, 30 days and 5 days immediately before each ordinary meeting of the shareholders, extraordinary meeting of shareholders and relevant record date, respectively) in order for it to determine the shareholders and pledgees that are entitled to rights pertaining to the shares.

Annual Financial Statements

At least ten days before an annual shareholders' meeting, the Company's annual financial statements will be made available at the Company's principal office in Taipei, Taiwan and at the Company's share registrar for inspection by the shareholders. According to the regulations of the FSC, the Company is required to publish its annual and quarterly financial statements on a consolidated basis.

Transfer of Shares

The transfer of shares in registered form is effected by endorsement and delivery of the related share certificates; however, in order to assert shareholder's rights against the Company, the transferee must have their name and address registered on the Company's register of shareholders. Shareholders are required to file their respective specimen seals, also known as chops, with the Company.

Repurchase of Shares by the Company

With minor exceptions, the Company cannot acquire its own shares under the ROC Company Act.

Under the ROC Securities and Exchange Act, the Company may, by resolution adopted by a majority of its Board of Directors at a meeting where two-thirds or more of the directors are present, repurchase its shares on the TWSE or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

- for delivery upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds and convertible preferred shares or certificates of warrants issued by the Company into capital stock;
- to transfer to the Company's employees, or
- if necessary, to maintain the Company's credit and shareholders' equity, provided that the shares so repurchased shall be canceled thereafter.

The total shares repurchased by the Company may not exceed 10% of its total issued and outstanding shares. In addition, the total cost of the purchased shares may not exceed the aggregate amount of the Company's retained earnings, any premium from share issuance and the realized portion of its capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within five years from the repurchase failing which they will be canceled and the Company is required to complete an amended registration for the cancelation. In the third instance mentioned above, the shares repurchased by the Company must be canceled, and the Company shall complete an amended registration for such cancelation within six months after the repurchase. The shares repurchased by the Company may not be pledged or hypothecated. In addition, the Company may not exercise any of the shareholder's rights attached to these shares. The Company's affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers and their respective spouses and minor children and nominees, are prohibited from selling the Company's shares until the Company's repurchase period has lapsed.

Liquidation Rights

In the event of the Company's liquidation, the Company's remaining assets after payment of all debts, liquidation expenses and taxes will be distributed pro rata to the holders of Common Shares in accordance with the relevant provisions of applicable laws and the Company's Articles of Incorporation.

Substantial Shareholders and Transfer Restrictions

The Company's directors, managers and shareholders holding more than 10% of the Company's shares are required to report to the Company, on a monthly basis, any changes in their shareholding in the Company. The number of shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of shares to be sold or transferred does not exceed 10,000.

ROC TAXATION

The following is a summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or Common Shares to a Non-ROC Resident Individual or Non-ROC Resident Entity (each a "**Non-ROC Holder**"). As used in the preceding sentence, a "Non-ROC Resident Individual" is a foreign national individual who owns Bonds or Common Shares and does not reside in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns Bonds or Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning Bonds or Common Shares and the laws of any relevant taxing jurisdiction to which you are subject.

Bonds

Possible Interest Payments

Payments of interest or premium (if any ever becomes payable on the Bonds) to a Non-ROC Holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payments of interest or premium. See "Description of the Bonds — Additional Amounts".

Sale

The sale of convertible bonds which were issued and offered by ROC companies outside of the ROC is not subject to ROC securities transaction tax according to a tax directive issued by the ROC Ministry of Finance dated March 23, 2010. Accordingly, the sale of the Bonds will not be subject to the securities transaction tax.

Gains from the sale of property in the ROC are generally subject to ROC income tax. However, under current ROC law, capital gains in transactions of corporate bonds issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of the Bonds.

Conversion into Common Shares

The conversion of the Bonds into Common Shares is not subject to ROC tax. However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other person to be the holder of Common Shares upon conversion of the Bonds.

Common Shares

Dividends on the Common Shares

Dividends (whether in cash or Common Shares) distributed by the Company out of retained earnings and paid out to Non-ROC Holders of Common Shares are normally subject to ROC income tax collected by way of withholding at the time of distribution. The current rate of withholding for Non-ROC Holders of Common Shares is 21% of the amount of the distribution, unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

Distributions of stock dividends declared by the Company out of capital reserves are not subject to withholding tax, except under limited circumstances.

In accordance with the ROC Income Tax Act, a 5% retained earnings tax will be imposed on a company for its after-tax earnings generated after January 1, 1998 which are not distributed in the following year. The retained earnings tax so paid will further reduce the retained earnings available for future distribution.

Preemptive Rights

Distributions of statutory subscription rights for the Common Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders are exempt from income tax on any capital gains from such sales. However, proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC law, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuances of securities.

Sale

Under current ROC law, Non-ROC Holders are exempt from income tax on any capital gains generated from the sale of Common Shares.

The ROC Government imposes a securities transaction tax that will apply to sales of the Common Shares. The transaction tax, which is payable by the seller, is levied on sales of Common Shares at the rate of 0.3% of the gross amount received.

Estate Tax and Gift Tax

ROC estate tax is payable on any property within the ROC of a deceased Non-ROC Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-ROC Resident Individual. Estate tax and gift tax are currently imposed at progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax laws, the Bonds and Common Shares are deemed located in the ROC without regard to the location of the owner.

Tax Treaty

At present, the ROC has double tax treaties with Indonesia, Singapore, New Zealand, Australia, South Africa, Gambia, Senegal, Sweden, Eswatini, Malaysia, North Macedonia, the Netherlands, Belgium, Denmark, the UK, Vietnam, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, Poland and Czech Republic. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

LEGAL MATTERS

Certain legal matters will be passed upon for the Company by Lee and Li, Attorneys-at-Law, Taipei, Taiwan, ROC, and for the Initial Purchasers by Sullivan & Cromwell (Hong Kong) LLP. Sullivan & Cromwell (Hong Kong) LLP will rely upon Lee and Li, Attorneys-at-Law with respect to certain matters of ROC law. Lee and Li, Attorneys-at-Law will rely upon Sullivan & Cromwell (Hong Kong) LLP with respect to certain matters of United States law.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 and as of and for the years ended December 31, 2019 and 2020 as prepared and presented under Taiwan IFRS included in this Offering Circular have been audited by PricewaterhouseCoopers, Taiwan, as stated in their report appearing herein. PricewaterhouseCoopers, Taiwan are located at 27th Floor, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City, Taiwan. PricewaterhouseCoopers, Taiwan are a member of the Taiwan CPA Association.

The audit report of PricewaterhouseCoopers, Taiwan dated March 30, 2020 in relation to the audited consolidated financial statements of the Company as of and for the years ended December 2018 and 2019 states that certain subsidiaries were audited by other auditors and their opinion, insofar as it relates to the amounts of those subsidiaries is based solely on the reports of those other auditors.

The audit report of PricewaterhouseCoopers, Taiwan dated March 30, 2021 in relation to the audited consolidated financial statements of the Company as of and for the years ended December 31, 2019 and 2020 states that certain subsidiaries were audited by other auditors and their opinion, insofar as it relates to the amounts of those subsidiaries is based solely on the reports of those other auditors.

With respect to our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2020 and 2021, not included in this Offering Circular, PricewaterhouseCoopers, Taiwan, our independent auditors, have reported that they have applied limited procedures in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China of such financial statements prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the FSC. However, their separate report dated May 14, 2021, not included in this Offering Circular states that they did not audit and they do not express an opinion on those unaudited consolidated interim financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

The Company was incorporated on February 20, 1974 and is registered with the MOEA under a uniform registration number of 04541302. The Company's registered office is located at No. 66, Chung Shan Road, Tu-cheng, New Taipei City, 236, Taiwan, ROC. Article 2 of the Company's Articles of Incorporation provides that the business scope of the Company includes the development, design, manufacture and sale of connectors, cable assemblies, enclosures and base supports for PC systems and computer peripherals and related components and products.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (whom has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Offering and the issue of the Bonds were authorized and approved by the Board of Directors of the Company on March 30, 2021 and by the FSC on May 26, 2021.

Except as disclosed herein, there has been neither significant change in the financial or trading position since December 31, 2020 nor any material adverse change in the financial position or prospects since December 31, 2020 of the Company and its subsidiaries, the date of the latest financial statements contained herein.

The Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	ISIN number	Common Code number
Bonds	XS2363250759	236325075

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, Hon Hai or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond is exchanged for certificates in definitive form. In addition, in the event that the Global Bond is exchanged for certificates in definitive form, an announcement of such exchange will be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the certificates in definitive form, including details of the paying agent in Singapore.

Except as disclosed in this Offering Circular, neither the Company nor any members of the Company is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the preceding 12 months a significant effect on the financial position of the Company. See "Business — Litigation".

PLAN OF DISTRIBUTION

The Company and the Initial Purchasers named below have entered into a purchase agreement dated July 29, 2021 with respect to the Bonds (the "**Purchase Agreement**"). Subject to certain conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed to purchase the number of Bonds indicated in the following table.

Initial Purchasers

Initial Purchasers	Aggregate Principal Amount of the Bonds
Citigroup Global Markets Limited	US$233,400,000
Goldman Sachs International	233,200,000
The Hongkong and Shanghai Banking Corporation Limited	233,400,000
Total	**US$700,000,000**

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent, and entitles the Initial Purchasers to terminate it in certain circumstances prior to payment being made to the Company.

The purchase price at which the Company agrees to sell to the Initial Purchasers, and the Initial Purchasers agree to purchase from the Company, the Bonds, will be the aggregate principal amount of the Bonds to be issued. The Initial Purchasers propose to offer the Bonds at the Offering Price. After the Bonds are released for sale, the Initial Purchasers may change the Offering Price and the other selling terms.

The Initial Purchasers or its affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Common Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Certain of the Initial Purchasers or its affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. No disclosure will be made of any such positions, except as required by any legal or regulatory obligation to do so. These transactions may involve a substantial portion of the Bonds.

The Bonds and the Common Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. None of the Initial Purchasers, its affiliates, or any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Bonds or the Common Shares.

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, we cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering.

Each of the Initial Purchasers has acknowledged and agreed that no action has been or will be taken in any jurisdiction by it that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Securities, or possession or distribution of this Offering Circular, in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required, except such actions as may be required under State securities or Blue Sky laws of the United States in connection with the purchase and distribution of the Bonds by or for the account of such Initial Purchaser. Each of the Initial Purchasers will not offer, sell or deliver any Bonds in any jurisdiction outside of the United States except under circumstances that will result in compliance with the applicable laws thereof, and that it will take at its own expense whatever action is required to permit its purchase and resale of such Bonds in such jurisdictions.

The Bonds are being sold outside of the United States to non-U.S. persons in reliance on Regulation S.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or the sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the UK.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i). a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (ii). a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Hong Kong

Each Initial Purchaser has represented and agreed that:

a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or

b) (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Initial Purchaser has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(i). to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA;

(ii). to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or

(iii). otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(i). to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA;

(ii). to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or

(iii). otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

b) where no consideration is or will be given for the transfer;

c) where the transfer is by operation of law;

d) as specified in Section 276(7) of the SFA; or

e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Section 309B Notification — The Issuer has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act, and in compliance with the other relevant laws and regulations of Japan.

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i). a retail client as defined in point (11) of Article 4(1) of MiFID II; or

    (ii). a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

People's Republic of China

This Offering Circular is not intended to constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. The Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Republic of China

Each of the Initial Purchasers has not offered or sold, and agrees not to offer or sell, any Bonds, directly or indirectly in the ROC.

The Company has agreed with the Initial Purchasers during a period beginning at the date and time the Purchase Agreement was executed and delivered to the parties thereto and ending 90 days from the date hereof, not to lend, offer, sell or contract to sell, grant any option to purchase, pledge, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to (1) swap or other agreements that transfer to another, in whole or in part, any of the economic consequences of ownership of Common Shares of the Company or (2) cash settlement or otherwise) by the Company or any of its affiliates or any person in privity with the Company or any of its affiliates) directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, and the rules and regulations of the U.S.

Securities and Exchange Commission promulgated thereunder with respect to, or announce the offering of, any other shares of the Company's common stock or any securities convertible into, or exchangeable for, shares of the Company's common stock, without the prior written consent of the Initial Purchasers; *provided, however,* that, (aa) the Company may (i) implement stock splits and employee stock option plans, (ii) issue the conversion shares upon the conversion of the currency linked zero coupon convertible bonds due 2022 issued by the Company in November 2017, (iii) issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding at the execution time of the Purchase Agreement, and (iv) sell the Bonds to the Initial Purchasers pursuant to the Purchase Agreement and issue the Common Shares upon the conversion of the Bonds; and (bb) any disposition by the Company or any of its Affiliates or any person in privity with the Company or any of its Affiliates due to group reorganization is also permitted.

Buyers of Bonds sold by the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price of the Bonds.

In connection with this Offering, the Initial Purchasers may engage in stabilizing transactions, which involves making bids for, purchasing and selling the Bonds in the open market for the purpose of preventing or retarding a decline in the market price of the Bonds while this offering is in progress. These stabilizing transactions may include making short sales of the Bonds, which involves the sale by the Initial Purchasers of a greater number of the Bonds than they are required to purchase in the Offering, and purchasing the Bonds on the open market to cover positions created by short sales. The Initial Purchasers may close out any short position by purchasing the Bonds in the open market.

These activities may have the effect of raising or maintaining the market price of the Bonds or preventing or retarding a decline in the market price of the Bonds, and, as a result, the price of the Bonds may be higher than the price that otherwise might exist in the open market. If the Initial Purchasers commence these activities, they may discontinue them at any time. The Initial Purchasers may carry out these transactions in the over-the-counter market or otherwise.

It is expected that delivery of the Bonds will be made against payment therefor on or about August 5, 2021, which will be the fifth business day following the date of pricing the Bonds. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Bonds initially will settle on the fifth business day following the pricing date (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Initial Purchasers who wish to trade the Bonds on the date of pricing or the next succeeding five business days should consult their own advisor.

The Company has agreed to indemnify the Initial Purchasers and certain other persons against certain liabilities, including liabilities under the Securities Act.

Citigroup Global Markets Limited, Goldman Sachs International and The Hongkong and Shanghai Banking Corporation Limited are acting as the joint global coordinator, joint lead managers and joint bookrunners for the Offering.

Each Initial Purchaser and/or its respective affiliates, including Citigroup Global Markets Limited, Goldman Sachs International and The Hongkong and Shanghai Banking Corporation Limited, have provided and may in the future provide banking, advisory and other financial services to the Company and some of its affiliates in the ordinary course. The Initial Purchasers have received customary fees and commissions in connection with these transactions.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Initial Purchasers, the Trustee, the Paying Agent, the Register or any of the Company's respective affiliates or advisors in connection with the Offering.

Foreign Investment

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals (the "**Foreign Regulations**"), which was approved by the Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland Chinese Investors' Securities Investments and Futures Trading in Taiwan (the "**PRC Regulations**"), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in companies listed on TWSE or TPEx in the ROC.

Under the Foreign Regulations, foreign investors are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to invest in ROC securities after they register with the TWSE. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the FSC after consultation with the CBC. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC. The PRC Regulations promulgated by the FSC on April 30, 2009 loosen these restrictions. Under the PRC Regulations, PRC qualified domestic institutional investors ("**QDII**") are allowed to invest in ROC securities (including less than 10% (or less in certain industries) shareholding of an ROC company listed on TWSE or TPEx). Nevertheless, the total investment amount of QDIIs cannot exceed US$500 million. For each QDII, the custodians of such QDIIs must apply with the TWSE for the remittance amount for each QDII, which cannot exceed US$100 million, and QDII can only invest in the ROC securities market with the amount approved by the TWSE. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. The Company currently does not engage in prohibited or restricted industries.

Depositary Receipts

In April 1992, the FSC enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the FSC allowed companies whose shares are traded on the TPEx or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

A holder of depositary receipts may, after the issuance of the depositary receipts representing new shares and upon the listing of the underlying shares and (in practice, typically four to seven business days thereafter), request the depositary to either cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and deliver the shares to the holder. For depositary shares that represent previously issued and existing shares, a holder of the depositary receipts could, immediately after the issuance of the depositary receipts, request the depositary to conduct the foregoing. Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares or (ii) if all the businesses of the issuer are in the positive list promulgated by the Executive Yuan, the holder withdraws shares which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including U.S. Dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEx securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. Any such holder of depositary receipts is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas Corporate Bonds

Since 1989, the FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law, such overseas corporate bonds (i) can be converted by bondholders into shares of ROC companies or (ii) subject to FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. A PRC holder of convertible bonds may not convert bonds unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares or (ii) if all the businesses of the issuer are in the positive list promulgated by the Executive Yuan, the shares converted from overseas convertible bonds which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer's issued shares and it otherwise obtains the approval of the Investment Commission of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of the corporate bonds who is a PRC person to be unable to convert or exchange the bonds and hold the shares. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to relevant regulations.

Under current ROC law, a non-ROC converting bondholder, when exercising his conversion right to convert bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. Also, any such converting bondholder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such converting bondholder is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting these requirements, the converting holder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted on the TWSE or otherwise.

Unless otherwise limited by the CBC, an ROC company may, without obtaining further approvals from the CBC or any other government authority of the ROC, convert NT dollars to other non-ROC currencies, including U.S. Dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, inward remittances of subscription payments in connection with a rights offering. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US$100,000 per remittance.

Other Foreign Investment

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEx in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10% or more (or other threshold required by the regulators) of the equity interest of an ROC company listed on the TWSE or the TPEx are required to submit an Investment Approval application to the Investment Commission of the MOEA or other government authority. The Investment Commission or such other government authority reviews Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEx if the investment is less than 10% (or less in certain industries) of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an Investment Approval application to the Investment Commission of the MOEA or other government authority for approval.

Exchange Controls

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated by the FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from the ROC in each calendar year foreign currencies of up to US$50 million (or its equivalent) and US$5 million (or its equivalent), respectively, or such other amount as determined by the CBC from time to time at its discretion in consideration of the ROC's economic and financial conditions or the needs to maintain the order of foreign exchange market in the ROC. These limits apply to remittances involving a conversion between NT dollars and U.S. Dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC.

In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from the ROC foreign currencies of up to US$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and U.S. Dollars or other foreign currencies.

THE SECURITIES MARKETS OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Initial Purchasers, the Trustee, the Paying Agent, the Register or any of the Company's respective affiliates or advisors in connection with the Offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau, which is under the FSC.

The TWSE

In 1961, the FSC established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 948 as of December 31, 2020. As of December 31, 2020, the market capitalization of companies listed on the TWSE was approximately NT$44.9 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by supra-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and the distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to certain industries, such as technology companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated, information relating to the TAIEX.

Period Ended December 31	Number of Listed Companies at The Period End	Stock Trading Values	Index High	Index Low	Index at Period End
		(NT$ in billions)			
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.1	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.8	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016	892	16,771.1	9,392.68	7,664.01	9,253.50
2017	907	23,972.2	10,854.57	9,272.88	10,642.86
2018	928	29,608.9	11,253.11	9,478.99	9,727.41
2019	942	26,464.6	12,122.45	9,382.51	11,997.14
2020	948	45,654.3	14,732.53	8,681.34	14,732.53
2021 (through May 31, 2021)	953	37,021.4	17,595.90	14,902.03	17,068.43

Source: TWSE
*Note: * Up to May 31, 2021*

The Taipei Exchange (TPEx)

To complement the TWSE, the GreTai Securities Market was established in September 1982 on the initiative of the FSC to encourage the trading of securities of companies who do not qualify for listing on the TWSE, and later renamed as TPEx. As of December 31, 2020, 782 companies had listed equity securities on the TPEx and the total market capitalization of those companies was approximately NT$4.4 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on the history of a company, the number and distribution of a company's shareholders, amount of capital, profitability and capital structure.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of 500 or more trading lots of one class of securities, or securities of five or more different classes and trading amounts exceeding NT$15 million, must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price provided that any rate exceeding 0.1425% shall be reported to the TWSE and notify the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Starting from January 15, 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Law prohibits trading by "insiders" based on nonpublic information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material nonpublic information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC and foreign issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

GLOSSARY

Backplane connector	A connector which is mounted on a PCB to receive and interconnect PCBs and other electronic components.
Barebone	The basic mechanical unit of the PC and communication equipment, normally comprising the chassis, connectors, cable assemblies, cooling fan, power supply, flat cables and PCBA; it does not include the motherboard, CPU, memory, chipsets and hard disk drive. BGA Ball Grid Array, a popular surface mount chip package that uses a grid of solder balls as its connectors. BGA chips are easier to align to PCB.
Bus	A conductor or an assembly of conductors for collecting electric currents and distributing them to outgoing feeders.
Card reader	An input device that reads flash memory cards, which can be in the form of a stand-alone device or an integrated part of electronic products such as computers, printers or scanners.
Connector	A plug or socket used for transferring electronic signals or powers.
CPU	Central Processing Unit, the location of a computer, usually either the printed circuit or microprocessor, where most calculations occur.
Die	Block of metal with a design used for stamping and shaping.
EDI	Electronic Data Interchange, a system that enables the user to exchange data (including details of purchase orders) relating to particular transactions with its suppliers, customers and services providers.
ERP	Enterprise Resource Planning, a system that provides inventory data to control the level of stocks and receivables, which enables the user to more effectively plan and allocate its resources worldwide.
Gigabit Ethernet channel . . .	It supports data transfer rates of one gigabit per second or higher.
IC	Integrated Circuit, another term for a chip, which is a small electronic device made out of semiconductor material used in a variety of electronic devices.
LCD	Liquid Crystal Display, a visual display device consisting of a liquid crystal solution hermetically sealed between two sheets of glass or other polarizing material.
Motherboard	The main circuit boards containing the primary components for a computer system. This board contains the processor, main memory, support circuitry, bus controller and connector.
MRP	Material Requirements Planning, a system that enables the user to manage its suppliers by implementing more effectively the "just-in-time" concept and also provides a projection of the raw materials required in the user's production operations.
ODM	Original Design Manufacturer, a company that both designs and manufactures a product for their customers.
OEM	Original Equipment Manufacturer, a company that manufactures products to be sold to other companies to rebrand and resell.

Optomechatronics . . . . The combination of optical engineering, mechanical engineering and electronic engineering for design, development and manufacturing of products.

PC . . . . Personal Computer, any personal computer based on an Intel microprocessor, or an Intel-compatible microprocessor.

PCB . . . . Printed Circuit Board, single- or multi-layer boards of circuitry in laminate which provide electrical interconnections and a surface for mounting chips and other electronic components. It is the basic platform used to connect the microprocessors, capacitors, resistor networks and other components that are essential to the functioning of electronic products.

PCBA . . . . Printed Circuit Board Assembly, being PCB with electronic components and expansion cards assembled onto it.

INDEX TO FINANCIAL STATEMENTS

HON HAI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

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.

INDEPENDENT AUDITORS' REPORT 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, 2020 and 2019, 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 the reports of other independent auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 audit of the consolidated financial statements as at and for the year ended December 31, 2020 in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as at and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, 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 Group's 2020 consolidated financial statements. 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.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Cut-off of hub sales revenue

Description

Refer to Note 4(34) for accounting policies on revenue recognition.

The Group recognizes revenue upon acceptance of the goods by the customers (when control of the products is transferred) if picked up from hub. For pick-ups from hub, the Group recognizes 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 the physical inventory quantities in the hubs and quantities as reflected in the 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, we identified the cut-off of hub sales revenue 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 period prior to and after the balance sheet date, including agreeing to respective supporting documents provided by hub custodians, and validated the proper timing of recognizing 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

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2)3 for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(7) for details of inventories. As at December 31, 2020, the Group's inventories and allowance for inventory valuation losses amounted to NT$608,332,105 thousand and NT$26,218,370 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 arising from market value decline or obsolescence. The Group recognizes 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 time period and those 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 considered the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit 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 by checking the related supporting documents and comparing with the 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

Refer to Note 4(27) 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(16) for details of offsetting of financial instruments. As of December 31, 2020, the financial instruments that were offset amounted to NT$1,259,254,404 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 recognized 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 considered 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 the terms of the above agreements and confirmed whether the criteria under IAS 32, ‘Financial instruments: Presentation’ were met and the accounting treatment was 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.

Impairment assessment on goodwill arising from acquisition of Belkin International Inc. (“Belkin”).

<u>Description</u>

Refer to the Note 4(20) for accounting policy on impairment assessment of goodwill, Note 5(2)2 for the accounting policy on impairment of non-financial assets, critical accounting estimates and assumptions of impairment assessment and Note 6(13) for the details of impairment loss.

As of December 31, 2020, the Group had goodwill arising from acquisition of 100% equity interest in Belkin for NT$13,563,157 thousand.

Impairment assessment was performed based on the value in use calculation using the discounted cash flow model to determine the recoverable amounts of the cash-generating unit (“CGU”). Significant judgment and estimates about the key assumptions including revenue growth rate, long-term growth rate and discount rate applied to future cash flow forecast are required and will influence the collectible amount and the impairment of goodwill significantly due to the significant judgments and inherent uncertainty. Therefore, we considered the impairment assessment on goodwill arising from acquisition of Belkin International Inc. and its subsidiaries a key audit matter.

<u>How our audit addressed the matter</u>

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

A. Tested the underlying calculations used in the valuation mode.

B. Involved valuation specialists to assess the reasonableness of the key assumptions, including expected growth rate and discount rate used as follows:

   (a) Evaluated the assumptions used, mainly revenue growth rate and long-term growth rate within the impairment assessment by comparing them to historical results, economic and industry forecast;

   (b) Benchmarked the discount rate range which is used in determining the recoverable amount against certain market data and industry research; and

   (c) Performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes.

Impairment assessment of operating assets of Asia Pacific Telecom Co., Ltd. and its subsidiaries

<u>Description</u>

Refer to Notes 4(16) and (19) for accounting policies applied to property, plant and equipment and intangible assets. Note 4(20) for accounting policies on impairment assessment of non-financial assets. Note 5(2)1 for critical accounting estimate and key sources of assumption uncertainty applied to property, plant and equipment, intangible assets and other operating assets, Notes 6(9), (13) and (14) for details of account items.

The subsidiaries' operating assets represent a significant percentage of the Group's total assets, and the valuation of these assets is affected by the overall industry development and the Group's operations. The Group used the value in use to estimate the recoverable amount which involves management's judgements, such as the estimation of future cash flow and determination of discount rate, etc. Management's judgment mentioned above involve future years' forecast which are highly uncertain and have a material impact to the estimation of value in use. Therefore, we identified the impairment assessment of operating assets as a key audit matter.

How our audit addressed the matter

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

A. We assessed the expected future cash flows prepared by management and its decision process, compared and assessed the consistency of the expected future cash flows with operation plans.

B. We also obtained and assessed the information provided by the Group and the valuation report prepared by external professional valuers engaged by the Group.

   (a) Compared the parameters used in predicting future cash flows with historical experience, economic and industrial forecasts.

   (b) Compared the parameters used in determining discount rate with the assumptions on capital cost of cash generating units, and with returns rate on similar assets.

   (c) Verified the valuation model calculation.

   (d) Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed whether management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

Other matter – Reference to audits of other independent auditors

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 consolidated financial statements relative to these consolidated subsidiaries was based solely on the reports of other independent auditors. Total assets of these consolidated subsidiaries amounted to NT$151,573,867 thousand and NT$208,374,823 thousand, constituting 4.13% and 6.27% of the consolidated total assets as of December 31, 2020 and 2019, respectively, and total operating revenues amounted to NT$232,746,063 thousand and NT$458,130,373 thousand, constituting 4.34% and 8.57% 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, 2020 and 2019.

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.

Auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hsu, Yung-Chien   Hsu, Sheng-Chung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2021

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translation.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,232,794,015	34	$ 857,864,362	26
1110	Financial assets at fair value through profit or loss - current	6(2)	6,285,594	-	2,952,049	-
1136	Financial assets at amortised cost, net-current	6(4) and 8	38,783,566	1	52,954,877	1
1170	Accounts receivable, net	6(5)	903,070,230	25	987,278,438	30
1180	Accounts receivable - related parties	7	39,414,164	1	44,754,604	1
1200	Other receivables	6(6)(11)	58,237,719	2	67,854,299	2
1210	Other receivables - related parties	7	5,285,774	-	24,366,543	1
130X	Inventory	6(7)	582,113,735	16	515,772,177	15
1410	Prepayments	7	18,664,505	-	19,895,574	1
11XX	**Total current assets**		2,884,649,302	79	2,573,692,923	77
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	83,681,186	2	82,660,725	3
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	87,074,089	2	68,807,217	2
1535	Financial assets at amortised cost, net - non-current	6(4) and 8	18,786,030	1	12,528,569	-
1550	Investments accounted for using equity method	6(8)	175,199,441	5	168,631,642	5
1600	Property, plant and equipment	6(9) and 8	287,091,978	8	287,523,253	9
1755	Right-of-use assets	6(10) and 7	46,268,685	1	46,760,340	1
1760	Investment property - net	6(12)	11,083,273	-	4,419,912	-
1780	Intangible assets	6(13)	44,760,083	1	41,380,353	1
1840	Deferred income tax assets	6(37)	19,946,852	1	18,701,465	1
1900	Other non-current assets	6(11)(14) and 8	15,734,671	-	15,835,299	1
15XX	**Total non-current assets**		789,626,288	21	747,248,775	23
1XXX	**Total assets**		$ 3,674,275,590	100	$ 3,320,941,698	100

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(16)	$ 446,422,100	12	$ 380,866,050	11
2110	Short-term notes and bills payable	6(15)	39,101,893	1	30,528,296	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	2,291,221	-	1,881,685	-
2170	Accounts payable		1,037,912,518	28	870,678,994	26
2180	Accounts payable - related parties	7	27,680,046	1	35,509,127	1
2200	Other payables	6(17) and 7	220,177,215	6	217,732,729	7
2230	Current tax liabilities	6(37)	24,004,318	1	18,531,289	1
2250	Provisions for liabilities - current	6(24)	4,136,517	-	2,725,293	-
2280	Current lease liabilities	7	9,058,272	-	7,131,038	-
2300	Other current liabilities	6(18)	105,473,211	3	91,876,860	3
21XX	**Total current liabilities**		1,916,257,311	52	1,657,461,361	50
	Non-current liabilities					
2530	Corporate bonds payable	6(19)	201,691,563	5	175,505,344	5
2540	Long-term loans	6(20)	31,593,197	1	41,576,252	1
2550	Provisions for liabilities - non-current	6(24)	407,915	-	369,953	-
2570	Deferred income tax liabilities	6(37)	18,805,119	1	18,261,509	1
2580	Non-current lease liabilities	7	20,390,740	1	20,875,343	1
2600	Other non-current liabilities	6(23)	10,983,336	-	7,266,519	-
25XX	**Total non-current liabilities**		283,871,870	8	263,854,920	8
2XXX	**Total liabilities**		2,200,129,181	60	1,921,316,281	58
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(25)				
3110	Common stock		138,629,906	4	138,629,906	4
	Capital reserve	6(26)				
3200	Capital surplus		202,645,942	5	199,383,371	6
	Retained earnings	6(27)				
3310	Legal reserve		161,043,748	4	149,512,874	4
3320	Special reserve		102,451,720	3	60,309,927	2
3350	Unappropriated retained earnings		779,836,380	21	794,615,182	24
	Other equity interest	6(28)				
3400	Other equity interest		(87,315,126)	(2)	(102,451,720)	(3)
3500	Treasury stocks	6(25)	(15,194)	-	(15,194)	-
31XX	**Equity attributable to owners of the parent**		1,297,277,376	35	1,239,984,346	37
36XX	Non-controlling interest	6(29)	176,869,033	5	159,641,071	5
3XXX	**Total equity**		1,474,146,409	40	1,399,625,417	42
	Commitments and Contingent Liabilities	9				
	Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 3,674,275,590	100	$ 3,320,941,698	100

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, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(30) and 7	$ 5,358,023,065	100	$ 5,342,810,995	100
5000	Operating costs	6(7)(34)(35) and 7	(5,055,104,342)	(94)	(5,026,942,570)	(94)
5900	Net operating margin		302,918,723	6	315,868,425	6
	Operating expenses	6(34)(35)				
6100	Selling expenses		(27,243,581)	(1)	(30,129,101)	(1)
6200	General and administrative expenses		(70,737,182)	(1)	(79,294,289)	(1)
6300	Research and development expenses		(94,110,512)	(2)	(91,548,149)	(2)
6000	Total operating expenses		(192,091,275)	(4)	(200,971,539)	(4)
6900	Operating profit		110,827,448	2	114,896,886	2
	Non-operating income and expenses					
7100	Interest income	6(31)	47,934,352	1	75,819,336	2
7010	Other income	6(32)	11,887,533	-	14,560,918	-
7020	Other gains and losses	6(33)	7,314,465	-	5,567,450	-
7050	Finance costs	6(36)	(40,317,013)	-	(66,600,696)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	7,825,449	-	19,634,053	-
7000	Total non-operating income and expenses		34,644,786	1	48,981,061	1
7900	**Profit before income tax**		145,472,234	3	163,877,947	3
7950	Income tax expense	6(37)	(31,146,647)	(1)	(31,692,859)	-
8200	**Profit for the year**		$ 114,325,587	2	$ 132,185,088	3

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(21)	($ 47,626)	-	($ 7,404)	-
8316	Unrealised gain on valuation of financial assets at fair value through other comprehensive income	6(3)(28)(29)	19,999,225	-	4,720,616	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(28)	497,658	-	3,028,377	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(37)	9,525	-	1,481	-
8310	Other comprehensive income that will not be reclassified to profit or loss		20,458,782	-	7,743,070	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(28)(29)	(15,380,879)	-	(51,266,536)	(1)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(28)	2,094,637	-	(1,096,843)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(13,286,242)	-	(52,363,379)	(1)
8300	**Other comprehensive income (loss) for the year**		$ 7,172,540	-	($ 44,620,309)	(1)
8500	**Total comprehensive income for the year**		$ 121,498,127	2	$ 87,564,779	2
	Profit attributable to:					
8610	Owners of the parent		$ 101,794,807	2	$ 115,308,736	3
8620	Non-controlling interest		12,530,780	-	16,876,352	-
			$ 114,325,587	2	$ 132,185,088	3
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 112,236,799	2	$ 74,706,141	2
8720	Non-controlling interest		9,261,328	-	12,858,638	-
			$ 121,498,127	2	$ 87,564,779	2
	Earnings per share (in dollars)	6(38)				
9750	Basic earnings per share		$	7.34	$	8.32
9850	Diluted earnings per share		$	7.28	$	8.24

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, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
2019												
Balance at January 1, 2019		$ 138,629,906	$ 190,018,456	$ 136,606,364	$ 27,539,310	$ 779,409,554	($ 65,399,183)	$ 5,089,256	($ 15,194)	$ 1,211,878,469	$ 120,555,419	$ 1,332,433,888
Profit		-	-	-	-	115,308,736	-	-	-	115,308,736	16,876,352	132,185,088
Other comprehensive income (loss)	6(28)	-	-	-	-	(5,923)	(48,490,283)	7,893,611	-	(40,602,595)	(4,017,714)	(44,620,309)
Total comprehensive income (loss)		-	-	-	-	115,302,813	(48,490,283)	7,893,611	-	74,706,141	12,858,638	87,564,779
Appropriations of 2018 earnings:	6(27)											
Legal reserve		-	-	12,906,510	-	(12,906,510)	-	-	-	-	-	-
Special reserve		-	-	-	32,770,617	(32,770,617)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(55,451,962)	-	-	-	(55,451,962)	-	(55,451,962)
Changes in equity of associates and joint ventures accounted for using the equity method	6(26)	-	(950,756)	-	-	(513,217)	-	-	-	(1,463,973)	-	(1,463,973)
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	10,315,671	-	-	-	-	-	-	10,315,671	-	10,315,671
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	-	26,227,014	26,227,014
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	1,545,121	-	(1,545,121)	-	-	-	-
Balance at December 31, 2019		$ 138,629,906	$ 199,383,371	$ 149,512,874	$ 60,309,927	$ 794,615,182	($ 113,889,466)	$ 11,437,746	($ 15,194)	$ 1,239,984,346	$ 159,641,071	$ 1,399,625,417
2020												
Balance at January 1, 2020		$ 138,629,906	$ 199,383,371	$ 149,512,874	$ 60,309,927	$ 794,615,182	($ 113,889,466)	$ 11,437,746	($ 15,194)	$ 1,239,984,346	$ 159,641,071	$ 1,399,625,417
Profit		-	-	-	-	101,794,807	-	-	-	101,794,807	12,530,780	114,325,587
Other comprehensive income (loss)	6(28)	-	-	-	-	(38,101)	(10,662,513)	21,142,606	-	10,441,992	(3,269,452)	7,172,540
Total comprehensive income (loss)		-	-	-	-	101,756,706	(10,662,513)	21,142,606	-	112,236,799	9,261,328	121,498,127
Appropriations of 2019 earnings:	6(27)											
Legal reserve		-	-	11,530,874	-	(11,530,874)	-	-	-	-	-	-
Special reserve		-	-	-	42,141,793	(42,141,793)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(58,224,561)	-	-	-	(58,224,561)	-	(58,224,561)
Changes in equity of associates and joint ventures accounted for using the equity method	6(26)	-	10,032	-	-	22,673	-	-	-	32,705	-	32,705
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	3,252,539	-	-	(4,452)	-	-	-	3,248,087	-	3,248,087
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	-	7,966,634	7,966,634
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	(4,656,501)	-	4,656,501	-	-	-	-
Balance at December 31, 2020		$ 138,629,906	$ 202,645,942	$ 161,043,748	$ 102,451,720	$ 779,836,380	($ 124,551,979)	$ 37,236,853	($ 15,194)	$ 1,297,277,376	$ 176,869,033	$ 1,474,146,409

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, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 145,472,234	$ 163,877,947
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(34)	60,952,265	65,144,046
Amortization	6(34)	4,161,469	1,864,811
Cost of share-based payments	6(35)	4,403,815	3,831,801
Provision for doubtful accounts and sales discount	12(2)	1,705,559	1,876,660
Impairment loss	6(33)	959,481	391,323
Loss on disposal of property, plant and equipment, net	6(33)	873,283	837,950
Gain on financial assets or liabilities at fair value through profit or loss, net	6(33)	(13,727,567)	(10,996,109)
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(7,825,449)	(19,634,053)
Loss on disposal of investments	6(33)	(633,645)	(1,869,967)
Interest expense	6(36)	40,148,900	66,108,704
Interest income	6(31)	(47,934,352)	(75,819,336)
Dividend income	6(32)	(4,891,042)	(6,423,484)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		9,572,395	7,762,176
Notes receivable		190,805	536,036
Accounts receivable		83,147,102	22,456,556
Accounts receivable due from related parties		6,788,779	3,418,255
Other receivables		(5,026,811)	5,878,317
Inventories		(66,341,558)	110,599,948
Prepayments		1,231,069	(299,314)
Changes in operating liabilities			
Accounts payable		167,233,525	(36,285,069)
Accounts payable to related parties		(7,829,082)	(6,831,622)
Other payables		18,463,204	(12,493,588)
Provisions for liabilities		1,449,186	(2,556,901)
Other current liabilities		9,687,771	1,233,013
Contract liabilities		1,751,652	10,310,227
Accrued pension liabilities		16,324	(179,233)
Cash inflow generated from operations		403,999,312	292,739,094
Income taxes paid		(26,375,395)	(44,721,356)
Net cash flows from operating activities		377,623,917	248,017,738

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31	
	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(40)	($ 65,500,041)	($ 77,521,451)
Proceeds from disposal of property, plant and equipment	6(40)	6,104,599	6,569,952
Acquisition of financial assets at fair value through profit or loss		(12,793,651)	(22,036,448)
Net cash flow from acquisition of subsidiaries	6(39)	(1,211,884)	(3,989,043)
Proceeds from disposal of financial assets at fair value through profit or loss		14,729,300	20,768,886
Acquisition of financial assets at fair value through other comprehensive income		(5,150,525)	(1,264,282)
Proceeds from disposal of financial assets at fair value through other comprehensive income		3,326,838	2,845,909
Proceeds from repayments of financial assets at amortised cost-non-current		14,171,311	25,989,262
Acquisition of financial assets at amortised cost-non-current		(7,420,291)	-
Proceeds from repayments of financial assets at amortised cost-current		1,279,800	1,369,020
Other receivables due from related parties		17,101,208	30,049,126
Acquisition of investments accounted for using equity method	6(8)	(3,131,377)	(1,243,716)
Interest received		62,711,773	76,563,195
Dividends received		10,168,019	11,228,694
Acquisition of right-of-use assets		(1,495,068)	(469,473)
Acquisition of intangible assets	6(13)	(541,250)	(21,271)
Proceeds from disposal of right-of-use asset		397,145	-
Proceeds from disposal of investments accounted for using equity method		657,350	-
(Increase) decrease in other non-current assets		(375,283)	2,036,918
Other investing activities		1,557,802	(290,947)
Net cash flows from investing activities		34,585,775	70,584,331
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans		65,556,050	(153,984,671)
Increase in short-term notes and bills payable		8,549,712	10,538,810
Proceeds from issuing bonds		72,922,000	36,770,000
Repayments of bonds		(40,199,748)	(11,000,000)
Proceeds from long-term debt		1,877,645	21,128,785
Repayments of long-term debt		(12,043,607)	(1,068,637)
Increase (decrease) in other non-current liabilities		449,683	(626,579)
Payment of lease liabilities		(7,701,599)	(4,712,236)
Changes in non-controlling interests	6(29)	3,110,549	4,939,701
Cash dividends paid to non-controlling interest	6(29)	(2,685,915)	(1,848,441)
Interest paid		(56,728,260)	(62,779,924)
Cash dividends paid	6(27)	(58,224,561)	(55,451,962)
Net cash flows used in financing activities		(25,118,051)	(218,095,154)
Net effect of changes in foreign currency exchange rates		(12,161,988)	(31,304,878)
Net increase in cash and cash equivalents		374,929,653	69,202,037
Cash and cash equivalents at beginning of year		857,864,362	788,662,325
Cash and cash equivalents at end of year		$ 1,232,794,015	$ 857,864,362

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

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Subsidiary	Main Business Activities	December 31, 2020	December 31, 2019	Note
Hon Hai Precision Industry Co., Ltd.	Foxconn (Far East) Limited and subsidiaries	Investment holdings in companies in Mainland China, Hong Kong, Europe and America primarily engaged in manufacturing, sale, research and development of computer cases, connectors and computer components	100	100	(a) (b) (c)
"	Foxconn Holding Ltd. and subsidiaries	Investment holdings in hi-tech companies in Asia-Pacific and America	100	100	
"	Hyield Venture Capital Co., Ltd. and subsidiaries	Venture capital investments in companies primarily engaged in manufacturing of automobile wires/ electronic devices and electronic components, and services of planning, advisory and business management	100	100	
"	Bao Shin International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	
"	Hon Yuan International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Note
Hon Hai Precision Industry Co., Ltd.	Hon Chi International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in software and electronic information application services, and manufacturing and sale of machinery and equipment	100	100	
"	Lin Yih International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing electronic components	100	100	
"	Hon Hai/ Foxconn Logistics California LLC.	Logistics services in America	100	100	
"	Hon Hai/ Foxconn Logistics Texas LLC.	Logistics services in America	100	100	
"	Ambit International Ltd. and subsidiaries	Investment holdings in companies in Mainland China primarily engaged in manufacturing and sale of power supply modules, application modules and network cables assemblies	100	100	
"	Foxconn Singapore (Pte) Ltd. and subsidiaries	Asia-Pacific sales company and development of educational technology	100	100	
"	Foxconn International Inc.	Patent applications in America	100	100	
"	Altus Technology Inc.	Leasing services	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Note
Hon Hai Precision Industry Co., Ltd.	Premier Image Technology -Hong Kong Limited and subsidiaries	Investment holdings in companies in Mainland China, primarily engaged in manufacturing and trading of portable cameras	99.96	99.96	
"	Foxconn SA B.V. and subsidiaries	Investment holdings in Russian domestic sales companies	100	100	
"	Margini Holdings Limited and subsidiaries	Investment holdings in Vietnam export processing and construction services companies and Brazil domestic sales companies	100	100	
"	Jin Ji City Trading Co., Ltd. -Hong Kong	Investment holdings and reinvestment in businesses relating to robots, automatic equipment, moulds, parts, accessories and corresponding services	100	100	
"	Foxconn Holdings B.V. - Netherlands and subsidiaries	Investment holdings in companies in Europe	100	100	
"	Syntrend Creative Park Co., Ltd.	Retail of office machinery and equipment and electronic appliances, and information/software services	74.80	74.80	
"	Perobot Co., Ltd.	Sale, software development, repair services, after-sale services and rental services of robots	100	100	
"	ECMMS Precision Singapore Pte. Ltd.	Manufacturing and sales of computers and data processing equipment	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2020	December 31, 2019	Note
Hon Hai Precision Industry Co., Ltd.	Fenix Brazilfenix Industria De Electronicos Ltda.	Manufacturing WIFI cards and modules	100	100	
"	Foxconn MOEBG Industria De Eletronicos Ltda.-Brazil	CFTV, DVR, bluetooth module, set-top box and optical network terminal	100	100	
"	Asia Pacific Telecom Co., Ltd.	Concession of telecom industry, storage of data and manufacturing of wire or wireless communication, installation of computer and satellite TV channels and telecom-related business, and providing 3rd-Generation of mobile phone services	40.74	40.74	(e)
"	Foxtron Vehicle Technologies Co., Ltd.	Complete electric vehicles design, and development, including technical authorisation and transfer. Also offering complete solutions for autonomous driving systems, new energy power and IoV systems.	51	-	(d)

(a) The Group acquired 100% equity interest in Mingyang Realty Development (Kunshan) Co., Ltd. and Tuozhan Property Development Co., Ltd. on April 12, 2019 and May 9, 2019, respectively and were included in the consolidated financial statements since the acquisition date.

(b) The Group acquired 100% equity interest in Shandong Chengshang Energy Co., Ltd. in the second quarter 2020 and was included in the consolidated financial statements since the acquisition date.

(c) The Company's subsidiary, HongFuJin Precision Electronics (ZhengZhou) Co., Ltd., merged with a 100% subsidiary, Zhengzhou Fulianwang Electronic Technology Co., Ltd., due to reorganization in the second quarter of 2020. HongFuJin Precision Electronics (ZhengZhou) Co., Ltd. was the surviving company.

(d) The Group established Foxtron Vehicle Technologies Co., Ltd. with Hua-Chuang Automobile Information Technical Center Co., Ltd. (the "Hua-Chuang") on November 6, 2020. Hua-Chuang contributed assets with value of $7,542,000 as capital, while the Group contributed cash of $7,850,321 as capital and owned 51% equity interest. It was included in the consolidated financial statements since the setup date.

(e) The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the "Asia Pacific") in the amount of $10,000,000 on November 21, 2019. After the acquisition, the Group owned 40.74% equity interest in Asia Pacific which represented the largest portion of the voting right of its shareholders and is able to direct its relevant activities. Accordingly, the Group has control over Asia Pacific and included it as a subsidiary in the consolidated financial statements since the acquisition date.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The information on non-controlling interest and respective subsidiaries are as follows:

		Non-controlling interest December 31, 2020		Non-controlling interest December 31, 2019		
Name of subsidiary	Principal place of business	Amount	Ownership %	Amount	Ownership %	Description
FIH Mobile Limited	Cayman	$ 22,199,143	38%	$ 23,939,629	38%	
Foxconn Ventures Pte. Ltd.	Singapore	23,229,225	46%	20,563,572	46%	
Foxconn Interconnect Technology Limited	Cayman	15,483,980	25%	15,271,092	23%	
Foxconn Industrial Internet Co., Ltd.	China	72,472,774	16%	61,422,746	16%	
Asia Pacific Telecom Co., Ltd.	Taiwan	18,972,448	59%	22,642,298	59%	
		$ 152,357,570		$ 143,839,337		

Summarised financial information of the subsidiary:

Balance sheets

	FIH Mobile Limited	
	December 31, 2020	December 31, 2019
Current assets	$ 135,380,945	$ 171,075,653
Non-current assets	37,075,808	38,859,935
Current liabilities	(111,999,810)	(145,825,230)
Non-current liabilities	(1,159,695)	(1,134,435)
Total net assets	$ 59,297,248	$ 62,975,923

	Foxconn Interconnect Technology Limited	
	December 31, 2020	December 31, 2019
Current assets	$ 81,114,425	$ 82,202,432
Non-current assets	51,002,668	49,920,298
Current liabilities	(50,978,118)	(49,832,096)
Non-current liabilities	(18,756,900)	(20,011,770)
Total net assets	$ 62,382,075	$ 62,278,864

	Foxconn Ventures Pte. Ltd.	
	December 31, 2020	December 31, 2019
Current assets	$ 26,545,134	$ 15,515,189
Non-current assets	24,903,894	30,975,076
Current liabilities	(4,025)	(1,295,604)
Total net assets	$ 51,445,003	$ 45,194,661

	Foxconn Industrial Internet Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	$ 932,125,404	$ 845,699,832
Non-current assets	62,506,190	54,267,529
Current liabilities	(528,560,676)	(503,806,489)
Non-current liabilities	(10,377,869)	(9,099,406)
Total net assets	$ 455,693,049	$ 387,061,466

	Asia Pacific Telecom Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	$ 8,171,700	$ 10,939,105
Non-current assets	31,504,947	34,811,852
Current liabilities	(6,974,568)	(7,319,667)
Non-current liabilities	(2,962,107)	(2,675,397)
Total net assets	$ 29,739,972	$ 35,755,893

Statements of comprehensive income

	FIH Mobile Limited	
	Years ended December 31,	
	2020	2019
Revenue and other operating revenue	$ 274,842,128	$ 461,221,823
Loss for the year from continuing operations	(5,136,859)	(376,436)
Other comprehensive income (loss), net of tax	4,883,944	(1,097,822)
Total comprehensive loss for the year	($ 252,915)	($ 1,474,258)
Comprehensive loss attributable to non-controlling interest	($ 195,740)	($ 538,832)
Dividends paid to non-controlling interest	$ -	$ -

	Foxconn Interconnect Technology Limited	
	Years ended December 31,	
	2020	2019
Revenue and other operating revenue	$ 126,032,636	$ 135,150,328
Income for the year from continuing operations	1,257,219	7,211,148
Other comprehensive income (loss), net of tax	2,082,995	(1,050,538)
Total comprehensive income for the year	$ 3,340,214	$ 6,160,610
Comprehensive income attributable to non-controlling interest	$ 900,428	$ 1,505,152
Dividends paid to non-controlling interest	$ -	$ 743,712

	Foxconn Ventures Pte. Ltd.	
	Years ended December 31,	
	2020	2019
Revenue and other operating revenue	$ -	$ -
Income for the year from continuing operations	10,632,011	5,877,261
Other comprehensive loss, net of tax	(2,303,007)	(404,102)
Total comprehensive income for the year	$ 8,329,004	$ 5,473,159
Comprehensive income attributable to non-controlling interest	$ 3,789,697	$ 2,490,287
Dividends paid to non-controlling interest	$ -	$ -

	Foxconn Industrial Internet Co., Ltd.	
	Years ended December 31,	
	2020	2019
Revenue and other operating revenue	$ 1,846,851,234	$ 1,827,674,405
Income for the year from continuing operations	74,980,558	81,619,395
Other comprehensive (loss) income, net of tax	(37,959)	6,490
Total comprehensive income for the year	$ 74,942,599	$ 81,625,885
Comprehensive income attributable to non-controlling interest	$ 11,792,663	$ 12,910,527
Dividends paid to non-controlling interest	$ 2,685,915	$ 1,749,477

	Asia Pacific Telecom Co., Ltd.	
	Years ended December 31,	
	2020	2019
Revenue and other operating revenue	$ 13,587,443	$ 14,246,066
Loss for the year from continuing operations	(5,819,980)	(5,161,873)
Other comprehensive income, net of tax	858	3,847
Total comprehensive loss for the year	($ 5,819,122)	($ 5,158,026)
Comprehensive loss attributable to non-controlling interest	($ 3,669,850)	($ 334,301)
Dividends paid to non-controlling interest	$ -	$ -

Statements of cash flows

	FIH Mobile Limited	
	Years ended December 31,	
	2020	2019
Net cash used in operating activities	($ 17,603,061)	($ 14,065,132)
Net cash provided by investing activities	14,737,118	44,638,058
Net cash provided by (used in) financing activities	7,932,819	(26,919,766)
Effect of exchange rates on cash and cash equivalents	1,599,237	263,137
Increase in cash and cash equivalents	6,666,113	3,916,297
Cash and cash equivalents, beginning of year	46,079,951	43,847,968
Cash and cash equivalents, end of year	$ 52,746,064	$ 47,764,265

	Foxconn Interconnect Technology Limited	
	Years ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 3,400,496	$ 9,676,066
Net cash used in investing activities	(10,507,921)	(12,899,454)
Net cash provided by (used in) financing activities	2,105,467	(1,992,366)
Effect of exchange rates on cash and cash equivalents	1,413,507	(122,805)
Decrease in cash and cash equivalents	(3,588,451)	(5,338,559)
Cash and cash equivalents, beginning of year	25,407,321	32,913,710
Cash and cash equivalents, end of year	$ 21,818,870	$ 27,575,151

	Foxconn Ventures Pte. Ltd.	
	Years ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 82,297	$ 182,644
Net cash provided by investing activities	12,167,737	13,350,706
Net cash provided by financing activities	-	-
Increase in cash and cash equivalents	12,250,034	13,533,350
Cash and cash equivalents, beginning of year	15,425,649	2,456,128
Cash and cash equivalents, end of year	$ 27,675,683	$ 15,989,478

	Foxconn Industrial Internet Co., Ltd.	
	Years ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 32,943,047	$ 28,820,961
Net cash used in investing activities	(27,659,807)	(12,611,175)
Net cash provided by financing activities	34,921,791	12,173,675
Effect of exchange rates on cash and cash equivalents	(2,860,756)	433,356
Increase in cash and cash equivalents	37,344,275	28,816,817
Cash and cash equivalents, beginning of year	283,994,561	269,144,472
Cash and cash equivalents, end of year	$ 321,338,836	$ 297,961,289

	Asia Pacific Telecom Co., Ltd.	
	Years ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 1,107,170	$ 1,486,927
Net cash used in investing activities	(1,094,815)	(3,954,550)
Net cash (used in) provided by financing activities	(2,344,696)	9,669,716
Effect of exchange rates on cash and cash equivalents	30	(49)
(Decrease) increase in cash and cash equivalents	(2,332,311)	7,202,044
Cash and cash equivalents, beginning of year	8,204,093	1,002,049
Cash and cash equivalents, end of year	$ 5,871,782	$ 8,204,093

(4) Foreign currency translation

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

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation of an associate is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

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

(a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

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

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

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

(10) Accounts and notes receivable

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

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

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognized in other comprehensive income.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; and the Group has not retained control of the financial asset.

(13) Leasing arrangement (lessor) – Lease receivable / Operating lease

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

(14) Inventories

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

(15) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

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

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Buildings	5 ~ 51 years
(Auxiliary buildings	6 ~ 11 years)
Machinery and equipment	3 ～ 9 years
Computer and communication equipment	3 ～ 25 years
Other equipment	1 ～ 25 years

(17) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Investment property

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

(19) Intangible assets

A. Certain trademarks are stated at cost and regarded as having an indefinite useful life as they were expected to generate continuous net cash inflow in the foreseeable future. For the trademarks with indefinite useful life are not amortised, but are tested annually for impairment.

B. Goodwill is generated by adopting the acquisition method when merger and acquisition occurs.

C. Patent is amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

D. Customer relationship and developed technologies are amortised on a straight-line basis over its estimated life of 12 years and 2 to 7 years, respectively.

E. Concession obtained individually is stated initially at its costs and is amortised on a straight-line basis over its useful life as follows:

(a) The concession of the mobile broadband spectrum (4G) 700MHz frequency group started form December 2014 and is amortised until 2030. The useful life of the concession is 16 years.

(b) The concession of the mobile broadband spectrum (4G) 2600MHz frequency group started form October 2017 and is amortised until 2033. The useful life of the concession is 16 years.

(c) The Group obtained the concession of the mobile broadband spectrum (4G) 700MHz frequency group in December 2015 and is amortised until 2030. The useful life of the concession is 15 years.

(d) The Group obtained the concession of the mobile broadband spectrum (4G) 900MHz frequency group in December 2015 and is amortised until 2030. The useful life of the concession is 15 years.

F. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognized as intangible assets when the following criteria are met:

i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. An entity intends to complete the intangible asset and use or sell it;

iii. An entity has the ability to use or sell the intangible asset;

iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

B. The recoverable amount of goodwill shall be evaluated annually. An impairment is recognized when recoverable amount is lower than carrying amount. Impairment loss should not be reversed in the future.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

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

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(24) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to ‘finance costs’.

(25) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e) When bondholders exercise conversion options, the liability component of the bonds shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(26) <u>Derecognition of financial liabilities</u>

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

(27) <u>Offsetting financial instruments</u>

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

(28) <u>Non-hedging and embedded derivatives</u>

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

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(29) Provisions

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

(30) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

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

(31) <u>Employee share-based payment</u>

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

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(32) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

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

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

(33) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(34) Revenue recognition

A. The Group manufactures and sells consumer electronics products. Sales are recognized when control of the products has transferred, being when the products are delivered to or picked by the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The Group renders telecommunication service. Service revenue is measured by the fair value of the consideration received or receivable taking into account business tax and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. The main methods of revenue recognition are as follows:

(a) The communication charges of fixed network and mobile services, as well as the connection charges among telecom operators, are recognized on the basis of the contract terms, which are calculated by predetermined rates and the actual usage volume.

(b) Fixed monthly service fees are recognized monthly.

(c) Prepaid card revenue is recognized on the basis of the actual usage volume by the customers.

C. The Group recognizes an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a telecommunication contract if the Group expects to recover those costs. The recognized asset is amortised and consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognized as expenses.

D. Sales revenue is recognized based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The contract cost does not include a significant financing component as the sales are made with credit term consistent with market practice.

E. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

F. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

G. The customer pays at the time specified in the payment schedule. If the products sold exceed the payment, a contract asset is recognized. If the payments exceed the products sold, a contract liability is recognized.

(35) Government grants

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

(36) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(37) Operating segments

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

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY

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

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

A. Revenue recognition

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

Indicators that the Group controls the good or service before it is provided to a customer include the following:

(a) The Group is primarily responsible for the provision of goods or services;

(b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Group has discretion in establishing prices for the goods or services.

B. Offsetting financial instruments

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

(2) Critical accounting estimates and assumptions

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

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause adjustments on impairment of assets.

B. Impairment assessment of goodwill

The Group assesses impairment of goodwill based on subjective judgment which includes identifying and allocating assets, liabilities and goodwill to related cash-generating unit to determine recoverable amount of this unit. Details of impairment assessment of goodwill is provided in Note 6(13).

As of December 31, 2020, the Group recognized goodwill after impairment assessment of $14,916,895.

C. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was $582,113,735.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	$ 146,814	$ 216,905
Checking accounts and demand deposits	1,008,741,819	649,335,476
Cash equivalents - Time deposits	215,392,563	208,182,131
Cash equivalents - Repo bonds	8,512,819	129,850
	$ 1,232,794,015	$ 857,864,362

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

B. The Group’s time deposits pledged to others as collateral and with maturity of over three months had been transferred to “Financial assets at amortised cost”. Please refer to Note 6(4) for details.

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

	December 31, 2020	December 31, 2019
Assets		
Current items:		
Beneficiary certificates	$ 535,164	$ 639,679
Derivatives	5,750,430	2,312,370
	$ 6,285,594	$ 2,952,049
Non-current items:		
Equity instruments	$ 3,187,930	$ 12,744,243
Beneficiary certificates	79,443,386	63,546,321
Derivatives	1,049,870	6,370,161
	$ 83,681,186	$ 82,660,725

Liabilities	December 31, 2020	December 31, 2019
Current items:		
Derivatives	($ 2,291,221)	($ 1,881,685)

A. The descriptions of financial assets and liabilities at fair value through profit or loss are as follows:

(a) Equity instruments: Including listed, unlisted and emerging stocks.

(b) Beneficiary certificates: Including investment in open-end funds and private equity fund.

(c) Derivatives: Including cross currency swap contracts, forward exchange contracts and convertible bonds payable.

B. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2020	2019
Equity instruments	1,975,357	$ 9,373,702
Beneficiary certificates	9,686,785	(4,720,893)
Derivatives	2,065,425	6,343,300
	$ 13,727,567	$ 10,996,109

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

Derivative Financial Assets	December 31, 2020 Contract amount (Notional Principal in thousands)		Contract period
Current items:			
Cross currency swap contracts	USD (BUY)	1,600,000	2016.09.13~2021.09.24
	JPY (BUY)	38,000,000	2020.12.11~2021.06.28
	TWD (SELL)	38,582,000	2020.12.11~2021.06.28
	JPY (SELL)	61,555,000	2016.09.13~2021.09.24
Foreign exchange forward contracts	RMB (BUY)	59,779,402	2020.10.26~2021.06.23
	CZK (BUY)	1,070,550	2020.12.28~2021.02.26
	BRL (BUY)	262,540	2020.12.28~2021.01.29
	JPY (BUY)	14,216,752	2020.11.04~2021.02.08
	USD (BUY)	50,000	2020.12.31~2021.01.06
	RMB (SELL)	325,505	2020.12.31~2021.01.06
	USD (SELL)	9,208,233	2020.10.26~2021.06.23
Convertible contract	USD	30,000	2016.12.19~2021.12.15
Non-current items:			
Cross currency swap contracts	USD (BUY)	400,000	2016.09.13~2026.09.24
	JPY (SELL)	41,064,000	2016.09.13~2026.09.24
Derivative Financial Liabilities			
Current items:			
Cross currency swap contracts	USD (BUY)	3,050,000	2020.03.03~2021.07.14
	TWD (SELL)	88,925,000	2020.03.03~2021.07.14
Foreign exchange forward contracts	USD (BUY)	420,128	2020.06.08~2021.04.30
	BRL (BUY)	260,490	2020.12.28~2021.01.29
	MXN (BUY)	3,619,834	2020.12.09~2021.02.26
	RMB (BUY)	4,070,580	2020.12.17~2021.05.31
	USD (SELL)	852,000	2020.12.09~2021.05.31
	RMB (SELL)	2,616,495	2020.12.04~2021.02.09
	MXN (SELL)	452,693	2020.06.08~2021.04.30

Derivative Financial Assets	December 31, 2019 Contract amount (Notional Principal in thousands)		Contract period
Current items:			
Cross currency swap contracts	JPY (BUY)	27,500,000	2019.12.23~2020.03.26
	TWD (SELL)	7,584,500	2019.12.23~2020.03.26
Foreign exchange forward contracts	EUR (BUY)	128,000	2019.12.11~2020.03.18
	CZK (BUY)	5,766,370	2019.11.05~2020.02.18
	MXN (BUY)	3,803,496	2019.10.22~2020.02.27
	RMB (BUY)	43,373,233	2019.10.23~2020.05.28
	TWD (BUY)	47,466,350	2019.11.11~2020.04.01
	USD (SELL)	8,323,670	2019.10.22~2020.05.28
Capital guarantee financial product	USD	56,000	2019.11.29~2020.12.10
Non-current items:			
Convertible contract	USD	30,000	2016.12.19~2021.12.15
Cross currency swap contracts	USD (BUY)	1,000,000	2016.09.13~2026.09.18
	JPY (SELL)	102,619,000	2016.09.13~2026.09.18
Derivative Financial Liabilities			
Current items:			
Cross currency swap contracts	USD (BUY)	1,700,000	2019.09.09~2020.05.29
	JPY (BUY)	141,250,000	2019.11.19~2020.06.30
	TWD (SELL)	92,004,305	2019.09.09~2020.06.30
Foreign exchange forward contracts	USD (BUY)	90,473	2019.05.24~2020.03.30
	RMB (BUY)	1,316,383	2019.12.18~2020.04.10
	MXN (SELL)	467,519	2019.05.24~2020.03.30
	USD (SELL)	188,000	2019.12.18~2020.04.10
	HKD (SELL)	475,569	2019.12.11~2020.03.02
	AUD (SELL)	9,000	2019.12.11~2020.01.13

(a) Cross currency swap contracts

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

(b) Forward foreign exchange contracts

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

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

B. Investing activities: Import of machinery and equipment

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

(c) Financial products

All of the structured products the Group entered into an agreement with financial institutions pertain to hybrid financial products which are principal guaranteed products in combination with embedded derivative financial products.

(d) Convertible bonds payable

The Company's indirect subsidiary, PCE Paragon Solutions Kft., acquired convertible bonds issued by Nanthealth, Inc. in the amount of US$30 million. The convertible bonds are embedded derivatives. Based on the contract, PCE Paragon Solutions Kft. has the right to require conversion after issue date and until maturity date if the written consent is submitted in advance. If there are remaining convertible bonds at maturity, such convertible bonds will be redeemed in the form of cash.

D. Details of the Group's investment in equity instruments and beneficiary certificates are provided in Table 3.

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

F. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2020	December 31, 2019
Equity instruments at cost	$ 55,486,110	$ 59,365,998
Fair value adjustments	31,587,979	9,441,219
	$ 87,074,089	$ 68,807,217

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2020	2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ 19,999,225	$ 4,720,616
Cumulative gains (loss) reclassified to retained earnings due to derecognition	($ 4,656,501)	$ 1,545,121

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

D. Details of the Group's investment in equity instruments is provided in Table 3.

(4) Financial assets at amortised cost

Items	December 31, 2020		December 31, 2019	
Current items:				
Capital guarantee financial products	$	-	$	18,341,333
Time deposits with maturity over three months		36,252,968		33,401,517
Refundable deposits		1,815,433		758,872
Restricted bank deposits		468,414		133,411
Pledged time deposits		246,751		319,744
	$	38,783,566	$	52,954,877
Non-current items:				
Financial bonds-trust fund	$	11,321,960	$	12,484,790
Time deposits with maturity over twelve months		6,010,077		-
Restricted bank deposits		1,400,641		-
Pledged time deposits		53,352		43,779
	$	18,786,030	$	12,528,569

A. Amounts recognized in profit or loss in relation to financial assets at amortised cost are listed below:

	Years ended December 31,			
	2020		2019	
Interest income	$	3,867,799	$	2,337,822

B. The Group invested in the trust fund named Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust in December 2017 which was mainly created for the investment in Guangzhou Guangyin Nanyue Intelligent Technology Industrial Investment Partnership. As of December 31, 2020, the Group has invested a total of RMB 3.5 billion and has redeemed RMB 900 million. Under the agreement, the Group will take over the share in the trust of the preferred beneficiary, Bank of Guangzhou, in case it initiates a redemption.

C. The counterparties of the Group’s investments have good credit quality.

D. Information relating to financial asset at amortised cost pledged as collateral is provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2020		December 31, 2019	
Notes receivable	$	249,501	$	440,306
Accounts receivable		909,750,714		992,631,562
Less: Allowance for sales returns and allowances	(	6,929,985)	(	5,793,430)
	$	903,070,230	$	987,278,438

A. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to $1,062,285,356.

B. On December 31, 2020 and 2019, the Group had accounts receivable are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of $109,052,508 and $108,993,188, respectively.

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

As of December 31, 2020 and 2019, the relevant information of accounts receivable factored but unsettled were as follows:

December 31, 2020			
Accounts receivable factoring not due yet	Amount of accounts receivable derecognized	Amount advanced	Amount of consideration retained
$ 37,739,204	$ 37,739,204	$ 37,739,204	$ -

December 31, 2019			
Accounts receivable factoring not due yet	Amount of accounts receivable derecognized	Amount advanced	Amount of consideration retained
$ 15,957,505	$ 15,957,505	$ 15,957,505	$ -

As of December 31, 2020 and 2019, the Group has no retention for the factoring of accounts receivable.

D. As of December 31, 2020 and 2019, the Group has not signed promissory notes as guarantee for accounts receivable in commercial dispute.

E. For the years ended December 31, 2020 and 2019, the financing charges (expenses) incurred from accounts receivable factoring information is provided in Note 6(36).

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

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

(6) Other receivables

	December 31, 2020	December 31, 2019
Tax refund receivable	$ 30,296,437	$ 27,552,147
Interest receivable	13,230,731	28,008,152
Loans to others	2,181,655	2,280,745
Others	12,528,896	10,013,255
	$ 58,237,719	$ 67,854,299

The Group's other receivables are due from entities and government agencies with good credit quality. There is no significant credit risk as default is unlikely to occur.

(7) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 184,832,767	$ 148,887,252
Work in process	124,724,802	105,747,965
Finished goods	268,629,479	261,457,747
Inventory in transit	30,145,057	23,526,271
	608,332,105	539,619,235
Less: Allowance for inventory obsolescence and market price decline	(26,218,370)	(23,847,058)
	$ 582,113,735	$ 515,772,177

Expenses and losses incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	Years ended December 31,	
	2020	2019
Cost of inventories sold	$ 5,057,980,656	$ 5,032,378,954
Loss on inventory obsolescence and market price decline (Gain from price recovery)	2,441,825	(303,359)
Revenue from sale of scraps	(5,711,177)	(5,431,538)
Others	393,038	298,513
	$ 5,055,104,342	$ 5,026,942,570

As the Group sold some inventory with net realizable value lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the year ended December 31, 2019.

(8) Investments accounted for using equity method

	2020	2019
At January 1	$ 168,631,642	$ 160,316,664
Addition of investments accounted for using equity method	3,131,377	1,243,716
Disposal of investments accounted for using equity method	(23,705)	(4,493,137)
Earnings distribution of investments accounted for using equity method	(5,262,181)	(4,805,210)
Share of profit or loss of investments accounted for using equity method	7,825,449	19,634,053
Changes in retained earnings	22,673	(513,217)
Changes in capital surplus	10,032	(950,756)
Changes in other equity items	2,592,295	1,931,534
Impairment loss	-	(157,082)
Others	(1,728,141)	(3,574,923)
At December 31	$ 175,199,441	$ 168,631,642

A. The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the "Asia Pacific") in 2019. After the acquisition, the Company owned 40.74% equity interest in Asia Pacific which represented majority of the voting rights of its shareholders and the Company has control over the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since the control date. Meanwhile, the Company lost significant influence over Asia Pacific and remeasured the fair value of the remaining investment. The Company recognized the difference between the fair value and book value of $1,691,090 (shown as "other gains and losses"). Details of business combination about Asia Pacific is provided in Note 6(39).

B. The Group has assessed impairment of certain investees for the years ended December 31, 2020 and 2019, and has accrued impairment loss of $0 and $157,082, respectively (shown as "other gains and losses").

C. Associates

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

Company name	Principal place of business	Shareholding ratio December 31, 2020	Shareholding ratio December 31, 2019	Nature of relationship	Method of measurement
Sharp Corporation	Japan	42%	42%	Strategic Investment	Equity method
Foxconn Technology Co., Ltd.	Taiwan	29%	29%	Supplier	Equity method
Zhen Ding Technology Holding Limited	Cayman	32%	34%	Supplier	Equity method

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

Balance sheet

	Sharp Corporation	
	December 31, 2020	December 31, 2019
Current assets	$ 328,978,941	$ 318,630,526
Non-current assets	206,441,054	214,183,459
Current liabilities	(258,063,115)	(254,314,425)
Non-current liabilities	(191,282,832)	(185,840,064)
Total net assets	86,074,048	92,659,496
Effect of accounting principles	(5,682,633)	(11,943,340)
The fair value adjustment of trademarks, other intangible net assets and tangible net assets	110,989,019	112,859,837
Total net assets after adjustment	$ 191,380,434	$ 193,575,993
Share in associate's net assets (Note)	$ 73,338,398	$ 73,410,848
Goodwill	12,197,171	12,450,964
Others	(670,048)	(975,970)
Carrying amount of the associate	$ 84,865,521	$ 84,885,842

Note: Share in associate's net assets is determined based on the equity of ordinary shares, excluding Class C shares of Sharp Corporation.

	Foxconn Technology Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	$ 113,612,184	$ 108,072,195
Non-current assets	55,497,536	56,503,622
Current liabilities	(58,012,616)	(54,840,529)
Non-current liabilities	(828,349)	(1,129,678)
Total net assets	$ 110,268,755	$ 108,605,610
Share in associate's net assets	$ 32,501,783	$ 32,011,570
Goodwill	338,190	338,190
Others	(592,437)	3,930
Carrying amount of the associate	$ 32,247,536	$ 32,353,690

	Zhen Ding Technology Holding Limited	
	December 31, 2020	December 31, 2019
Current assets	$ 99,312,005	$ 83,203,716
Non-current assets	81,808,482	56,677,619
Current liabilities	(63,423,798)	(39,032,879)
Non-current liabilities	(13,658,813)	(10,504,355)
Total net assets	$ 104,037,876	$ 90,344,101
Share in associate's net assets	$ 25,297,197	$ 22,741,808
Others	122,937	(28,971)
Carrying amount of the associate	$ 25,420,134	$ 22,712,837

Statement of comprehensive income

	Sharp Corporation	
	Years ended December 31,	
	2020	2019
Revenue	$ 645,878,758	$ 676,371,949
Profit for the year from continuing operations	2,500,510	18,648,819
Other comprehensive income, net of tax	865,144	7,421,513
Total comprehensive income	3,365,654	26,070,332
Effect of accounting principles	5,383,833	10,277,033
Total comprehensive income after adjustment	$ 8,749,487	$ 36,347,365
Dividends received from associates	$ 1,105,471	$ 1,277,406

	Foxconn Technology Co., Ltd.	
	Years ended December 31,	
	2020	2019
Revenue	$ 104,789,599	$ 99,802,129
Profit for the year from continuing operations	4,686,123	7,037,114
Other comprehensive income, net of tax	513,048	6,824,527
Total comprehensive income	$ 5,199,171	$ 13,861,641
Dividends received from associates	$ 1,042,301	$ 1,334,145

	Zhen Ding Technology Holding Limited	
	Years ended December 31,	
	2020	2019
Revenue	$ 131,278,537	$ 120,067,508
Profit for the year from continuing operations	11,508,290	12,401,617
Other comprehensive income (loss), net of tax	1,194,101	(3,312,504)
Total comprehensive income	$ 12,702,391	$ 9,089,113
Dividends received from associates	$ 1,374,359	$ 1,336,457

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

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to $32,666,250 and $28,679,273, respectively.

	Years ended December 31,	
	2020	2019
Profit for the year from continuing operations	$ 7,256,748	$ 3,351,246
Other comprehensive income (loss), net of tax	1,371,830	(779,886)
Total comprehensive income	$ 8,628,578	$ 2,571,360

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

	December 31, 2020	December 31, 2019
Sharp Corporation	$ 95,941,221	$ 103,325,835
Foxconn Technology Co., Ltd.	22,263,548	27,600,129
Zhen Ding Technology Holding Limited	34,828,781	38,968,380
	$ 153,033,550	$ 169,894,344

(e) The Group is the single largest shareholder of the following companies, and has no control, but only has a significant influence on the company as described below.

i. The Group is the single largest shareholder of Sharp Corporation with a 42% equity interest. Given that the director candidates of Sharp Corporation are decided by the nomination committee chaired by an outside director, and then resolved by Board of Directors, the shareholders will adopt a majority decision. Natural persons are elected as directors, legal shareholders cannot dominate, and the main managerial officers of Sharp Corporation is not appointed by the Group, which indicate that the Group has no current ability to direct the relevant activities of Sharp Corporation. Thus, the Group has no control, but only has significant influence, over the investee.

ii. The Group is the single largest shareholder of Foxconn Technology Co., Ltd. with a 29% equity interest. Given that the Group does not hold the voting rights of more than half of its shareholders attendance rate, which indicates that the Group has no current ability to direct the relevant activities of Foxconn Technology Co., Ltd., the Group has no control, but only has significant influence, over the investee.

iii. The Group is the single largest shareholder of Zhen Ding Technology Holding Limited with a 32% equity interest. Given that the Group does not hold the voting rights of more than half of its shareholders attendance rate, which indicates that the Group has no current ability to direct the relevant activities of Zhen Ding Technology Holding Limited, the Group has no control, but only has significant influence, over the investee.

(9) Property, plant and equipment

	2020						
At January 1, 2020	Land	Buildings	Machinery and equipment	Computer and communication equipment	Others	Equipment under installation and construction in progress	Total
Cost	$ 14,233,757	$ 208,869,510	$ 275,816,855	$ 39,326,807	$ 160,547,139	$ 28,415,269	$ 727,209,337
Accumulated depreciation and impairment	-	(88,283,906)	(208,403,723)	(29,795,877)	(113,202,578)	-	(439,686,084)
	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253
2020							
Opening net book amount as at January1	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253
Additions	185,346	3,069,325	20,683,563	1,352,450	16,620,782	23,985,927	65,897,393
Transfer	1,181	2,471,466	3,424,276	1,137,498	3,732,238	(16,962,187)	(6,195,528)
Acquired through business combinations	-	2,396	147	-	1,384,078	1,195,685	2,582,306
Disposals	(58,861)	(600,188)	(3,891,260)	(208,172)	(1,838,861)	(330,269)	(6,927,611)
Depreciation charge	-	(10,388,031)	(22,493,118)	(3,162,970)	(15,487,260)	-	(51,531,379)
Impairments	-	-	(959,481)	-	-	-	(959,481)
Net exchange differences	(2,030,887)	419,248	255,356	(51,421)	(1,470,554)	(418,717)	(3,296,975)
Closing net book amount as at December 31	$ 12,330,536	$ 115,559,820	$ 64,432,615	$ 8,598,315	$ 50,284,984	$ 35,885,708	$ 287,091,978
At December 31, 2020							
Cost	$ 12,330,536	$ 214,266,695	$ 279,733,859	$ 41,002,101	$ 174,306,451	$ 35,885,708	$ 757,525,350
Accumulated depreciation and impairment	-	(98,706,875)	(215,301,244)	(32,403,786)	(124,021,467)	-	(470,433,372)
	$ 12,330,536	$ 115,559,820	$ 64,432,615	$ 8,598,315	$ 50,284,984	$ 35,885,708	$ 287,091,978

2019	Land	Buildings	Machinery and equipment	Computer and communication equipment	Others	Equipment under installation and construction in progress	Total
At January 1, 2019							
Cost	$ 4,187,609	$ 199,046,485	$ 249,832,617	$ 8,768,524	$ 151,844,877	$ 24,418,437	$ 638,098,549
Accumulated depreciation and impairment	-	(81,242,477)	(169,196,450)	(7,112,646)	(102,686,964)	-	(360,238,537)
	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 1,655,878	$ 49,157,913	$ 24,418,437	$ 277,860,012
2019							
Opening net book amount as at January1	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 1,655,878	$ 49,157,913	$ 24,418,437	$ 277,860,012
Additions	7,505,720	15,068,196	14,351,055	660,831	12,788,063	19,100,838	69,474,703
Transfer	-	6,479,118	5,799,056	78,160	580,476	(13,898,334)	(961,524)
Acquired through business combinations	1,319,286	459,236	7,054	8,501,571	156,039	1,604,762	12,047,948
Disposals	-	(159,250)	(2,299,953)	(49,796)	(1,176,296)	(1,566,386)	(5,251,681)
Depreciation charge	-	(12,770,961)	(27,207,430)	(565,709)	(16,204,358)	-	(56,748,458)
Impairments	-	-	(95,971)	-	-	-	(95,971)
Net exchange differences	1,221,142	(6,294,743)	(3,776,846)	(750,005)	2,042,724	(1,244,048)	(8,801,776)
Closing net book amount as at December 31	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253
At December 31, 2019							
Cost	$ 14,233,757	$ 208,869,510	$ 275,816,855	$ 39,326,807	$ 160,547,139	$ 28,415,269	$ 727,209,337
Accumulated depreciation and impairment	-	(88,283,906)	(208,403,723)	(29,795,877)	(113,202,578)	-	($ 439,686,084)
	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253

Details of property, plant and equipment pledged as collateral are provided in Note 8.

(10) Leasing arrangements－lessee

A. The Group leases various assets including land, land use right, buildings, transportation equipment and other equipment. Except for contracts of land use right which cover periods of 50 years, other rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months, including dormitories, business vehicles and office.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land and land use right	$ 18,525,528	$ 21,248,308
Buildings	25,881,653	23,633,305
Other equipment	1,861,504	1,878,727
	$ 46,268,685	$ 46,760,340

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land and land use right	$ 821,887	$ 2,372,018
Buildings	8,194,638	5,731,167
Other equipment	404,361	292,403
	$ 9,420,886	$ 8,395,588

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $16,428,979 and $11,422,804, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,193,246	$ 1,174,008
Expense on short-term lease contracts	$ 4,084,492	$ 3,385,617

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $14,077,260 and $9,741,334, respectively.

(11) Leasing arrangements－lessor

A. The Group mainly leases machinery and equipment. Rental contracts are typically made for 5 years.

B. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2020	December 31, 2019
No later than one year	$ 469,917	$ 496,589
Later than one year but not later than five years	1,517,607	1,941,955
	$ 1,987,524	$ 2,438,544

C. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:

	December 31, 2020	
	Current	Non-current
Undiscounted lease payments	$ 467,917	$ 1,517,607
Unearned finance income	(8,636)	(58,441)
Net investment in lease	$ 459,281	$ 1,459,166

	December 31, 2019	
	Current	Non-current
Undiscounted lease payments	$ 496,589	$ 1,941,955
Unearned finance income	(27,548)	(69,638)
Net investment in lease	$ 469,041	$ 1,872,317

The net investment in the financial lease is shown as "other receivable" and "other non-current asset", respectively.

(12) Investment property

	Land and buildings	
	2020	2019
At January 1		
Cost	$ 8,015,199	$ 4,129,588
Accumulated depreciation and impairment	(3,595,287)	(1,605,625)
	$ 4,419,912	$ 2,523,963
Year ended December 31		
Opening net book amount as at January 1	$ 4,419,912	$ 2,523,963
Transfer	7,411,747	418,901
Acquired through business combinations	-	2,047,982
Depreciation charge	(737,696)	(272,910)
Net exchange differences	(10,690)	(298,024)
Closing net book amount as at December 31	$ 11,083,273	$ 4,419,912
At December 31		
Cost	$ 15,528,707	$ 8,015,199
Accumulated depreciation and impairment	(4,445,434)	(3,595,287)
	$ 11,083,273	$ 4,419,912

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

	Years ended December 31,	
	2020	2019
Rental income from the lease of the investment property	$ 894,888	$ 548,677
Direct operating expenses arising from the investment property that generated rental income for the year	$ 737,696	$ 272,910

B. The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. There was no impairment loss during the years ended December 31, 2020 and 2019.

C. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $28,531,066 and $5,045,896, respectively, which was revalued by independent appraisers. The valuation is based on latest market price of similar investment property in the same area and condition which is categorized within Level 3 in the fair value hierarchy.

(13) Intangible assets

	2020							
At January 1	Goodwill	Concession	Patents	Trademarks	Developed technology	Technology in progress	Customer relationships	Total
Cost	$ 17,880,175	$ 14,169,255	$ 4,805,694	$ 9,721,511	$ 4,239,016	$ -	$ 1,744,836	$ 52,560,487
Accumulated amortization and impairment	(2,473,634)	(3,810,083)	(2,911,823)	(305,822)	(1,468,219)	-	(210,553)	(11,180,134)
	$ 15,406,541	$ 10,359,172	$ 1,893,871	$ 9,415,689	$ 2,770,797	$ -	$ 1,534,283	$ 41,380,353
Opening net book amount as at January 1	$ 15,406,541	$ 10,359,172	$ 1,893,871	$ 9,415,689	$ 2,770,797	$ -	$ 1,534,283	$ 41,380,353
Acquired through business combinations	-	-	142,697	-	-	6,360,000	-	6,502,697
Additions	-	412,000	26,487	102,763	-	-	-	541,250
Amortization charge	-	(909,487)	(352,563)	(236,257)	(641,298)	-	(162,968)	(2,302,573)
Purchase price allocation	187,712	-	-	-	-	-	-	187,712
Net exchange differences	(677,358)	-	(332,454)	(353,268)	(115,411)	-	(70,865)	(1,549,356)
Closing net book amount as at December 31	$ 14,916,895	$ 9,861,685	$ 1,378,038	$ 8,928,927	$ 2,014,088	$ 6,360,000	$ 1,300,450	$ 44,760,083
At December 31								
Cost	$ 17,266,764	$ 14,581,255	$ 4,323,547	$ 9,447,950	$ 4,026,924	$ 6,360,000	$ 1,657,536	$ 57,663,976
Accumulated amortization and impairment	(2,349,869)	(4,719,570)	(2,945,509)	(519,023)	(2,012,836)	-	(357,086)	(12,903,893)
	$ 14,916,895	$ 9,861,685	$ 1,378,038	$ 8,928,927	$ 2,014,088	$ 6,360,000	$ 1,300,450	$ 44,760,083

2019

A. Impairment assessment for goodwill of Belkin International Inc.

The Group acquired Belkin International Inc. (referred herein as "Belkin") which generated goodwill of $13,563,157. Impairment assessment of goodwill is allocated to the Belkin's CGU. The recoverable amount of the CGU relating to the goodwill arising from acquisition of Belkin was determined based on value-in-use calculation. The calculation uses projected cash flows based on financial budgets for the next five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. As of December 31, 2020, pre tax discount rate is 16.5%.

Based on the above assessment, there is no impairment loss on goodwill as of December 31, 2020.

B. The details of amortization are as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Operating costs	$ 2,302,573	$ 1,672,408

(14) Other non-current assets

	December 31, 2020	December 31, 2019
Utility duct access	$ 913,198	$ 1,095,837
Computer software cost	2,369,522	2,713,429
Refundable deposits	2,483,407	2,737,880
Assets recognized for incremental costs of obtaining contract with customers	2,146,582	2,081,358
Prepayments for equipment	1,748,399	704,407
Others	6,073,563	6,502,388
	$ 15,734,671	$ 15,835,299

A. Refundable deposits mainly pertain to deposits for the lease of office buildings and data centers as well as bid bond for 1800MHz, 3.5GHz and 28GHz spectrum. The Company participated in the National Communications Commission's mobile broadband auction of 2019 for the bidding of 1800MHz, 3.5GHz and 28GHz spectrum, and paid the bid bond amounting to $1,000,000 in September 2019 which was refunded later in March 2020.

B. Utility duct access

A subsidiary of the Company, Asia Pacific Telecom Co., Ltd. ("Asia Pacific"), entered into a use of assets contract with Taiwan Railways Administration ("TRA") in January 2001. According to the contract, TRA provides the right to use 50% of the capacity of optical fiber duct (30 cm width), which was along the same path on both of the rails for 25 years since the Ministry of Transportation and Communication issued the 3G license. Under the contract, Asia Pacific should pay $8,425,569 as compensation for the 25-year use right to TRA, and both parties agreed that TRA can use the compensation of $8,000,000 as capital to invest in Asia Pacific. Under the contract, Asia Pacific should pay $100,000 per year to TRA for 25 years as compensation of the use right, and TRA will no longer allow other telecom companies to use the optical fiber ducts; if any, Asia Pacific can deduct the payment based on the percentage that the other telecom companies used.

C. Incremental costs of obtaining a contract

A subsidiary of the Company, Asia Pacific Telecom Co., Ltd., recognizes the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The recognized asset is amortised on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognized amortised costs of $1,858,896 and $192,403 in profit or loss for the years ended December 31, 2020 and 2019.

D. Details of other non-current assets pledged as collateral are provided in Note 8.

(15) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper	$ 39,139,779	$ 30,590,067
Less: Unamortized discount	(37,886)	(61,771)
	$ 39,101,893	$ 30,528,296
Interest rates per annum	0.498%~1.238%	0.718%~1.438%

(16) Short-term loans

Type of loans	December 31, 2020	Interest rate range	Collateral
Bank loans			
Credit loans	$ 446,422,100	0.08%~8%	None

Type of loans	December 31, 2019	Interest rate range	Collateral
Bank loans			
Credit loans	$ 380,866,050	0.34%~8.45%	None

The Group has signed an agreement to offset financial assets and liabilities with financial institutions. The agreement meets the offsetting criteria of IAS 32, whereby the financial assets and liabilities are offset and reported in the net amount in the balance sheet. Details of the offset as of December 31, 2020 and 2019 are as follows:

December 31, 2020			
Description	Gross amount of recognized financial assets and liabilities	Gross amount of recognized financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	$ 1,259,254,404	$ 1,259,254,404	$ -

Description	December 31, 2019 Gross amount of recognized financial assets and liabilities	Gross amount of recognized financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	$ 1,424,606,382	$ 1,424,606,382	$ -

(17) Other payables

	December 31, 2020	December 31, 2019
Awards and salaries payable	$ 54,865,333	$ 50,765,551
Accrued interest payable	11,989,073	28,568,433
Employees' bonuses payable	20,510,641	17,584,644
Payables for equipment	22,979,363	22,418,721
Consumption goods expense payable (including indirect materials)	12,695,792	10,509,888
Royalty fees payable	6,186,346	7,206,087
Tax payable	6,074,678	6,152,745
Restricted stock repurchase obligation	3,436,024	4,052,806
Others	81,439,965	70,473,854
	$ 220,177,215	$ 217,732,729

A subsidiary of the Company, Foxconn Industrial Internet Co., Ltd., issued employees' restricted shares in 2019. Employees have to pay to acquire those stocks, and if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund payments made on the stocks. The Group recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date.

(18) Other current liabilities

	December 31, 2020	December 31, 2019
Receipts in advance of payments for equipment on behalf of others	$ 17,510,796	$ 8,218,433
Contract liabilities - advance payment	17,761,388	18,231,021
Contract liabilities - deferred income	7,451,145	6,922,868
Bonds payable maturing within one year	42,231,956	38,546,364
Long-term loans maturing within one year	14,718,255	14,553,911
Others	5,799,671	5,404,263
	$ 105,473,211	$ 91,876,860

(19) Bonds payable

	December 31, 2020	December 31, 2019
Convertible bonds payable	$ 14,778,442	$ 16,596,000
Add: Premium on bonds payable	7,500	7,500
Less: Discount on bonds payable	(442,599)	(752,592)
	14,343,343	15,850,908
Corporate bonds payable	130,400,000	124,450,000
Foreign unsecured corporate bonds	99,180,176	73,750,800
	243,923,519	214,051,708
Less: Current portion (shown as "other current liabilities")	(42,231,956)	(38,546,364)
	$ 201,691,563	$ 175,505,344

A. First overseas convertible bond issue of 2017

(a) The Company issued the first overseas unsecured convertible bonds totaling USD 500 million with the approval of the competent authority on August 22, 2017. The bonds carry zero coupon rate over five years. The circulation period is from November 6, 2017 to November 6, 2022.

(b) The conversion price is adjusted in line with the model specified in the conversion rules. As of December 31, 2020, there has not been any converted common stock at the conversion price of NT$157.135 (using the exchange rate of 1 USD: 30.192 TWD) which was adjusted by the Company on July 31, 2020 based on the conversion rules of the first overseas convertible bond issue of 2017.

(c) In accordance with the conversion rules, if the convertible bond is purchased (including purchased from the secondary market), early redeemed, or repaid at maturity by the Company, or if the convertible bond is converted into common stocks or redeemed by the bondholder, the bond is to be retired and will not be reissued.

(d) In accordance with the conversion rules, the rights and obligations of common stocks converted are the same as the outstanding ones previously subscribed.

(e) The conversion options for the first overseas convertible bond issue of 2017 are separated from the liabilities and recorded as 'capital surplus – share options' amounting to $1,099,253.

(f) In accordance with the conversion rules, bondholders have the right to request the Company to redeem any bonds at the price of the bonds' par value upon three years from the issue date. On November 6, 2020, bondholders requested to redeem bonds totaling $1,817,558 (USD 60,200 thousand).

B. First unsecured convertible bond issue of 2018

(a) ShunSin Technology Holdings Limited, a subsidiary of the Company, issued the first unsecured convertible bonds totaling $1,500 million with the approval of the competent authority on January 10, 2018. The bonds carry zero coupon rate over five years. The circulation period is from February 12, 2018 to February 12, 2023.

(b) The conversion price is NT$171.3 after adjusting in line with the model specified in the conversion rules.

(c) As the bondholders have the right to request the Company to redeem the bond at the price of the bond's par value after three years from the bonds' issue date (February 12, 2021 is the selling base day of the bondholders), the subsidiary, ShunSin Technology Holdings Limited, needs to redeem the bonds at par value, therefore the corporate bonds payable and the financial assets and liabilities at fair value through profit or loss-non-current were reclassified into other current liabilities. Nevertheless, the bonds payable is not required to be fully paid off within one year.

(d) In accordance with the conversion rules, bondholders have the right to request the Company to redeem the bonds at the price of the bonds' par value after three years from the bonds' issue date. On February 12, 2021, no bondholder has requested to redeem the bonds.

(e) The conversion options of the bonds were separated from liabilities and recognized respectively as equity and liabilities at its issuance as follows:

Convertible bonds' present value at compound interest	$	1,357,350
Embedded derivatives (i.e. put options and redemption rights)		13,650
Components of equity at issuance		129,000
	$	1,500,000

(f) The details of financial asset (liabilities) at fair value through profit or loss are as follows.

	December 31, 2020		December 31, 2019	
Embedded derivatives (i.e. put options and redemption rights)	$	2,250	($	22,800)
Valuation gain		300		25,050
	$	2,550	$	2,250

C. For details of principal, interest rate, maturity and other information of corporate bonds payable and foreign unsecured corporate bonds, please refer to Table 10.

(20) Long-term loans

Institution	Loan period	Interest rate	Collateral	December 31, 2020
Long-term loans				
Mizuho Corporate Bank Ltd., etc. syndicated loan	2019/03/19~ 2022/02/26	0.9952%~ 1.0452%	None	$ 16,376,000
Mizuho Corporate Bank Ltd., etc. syndicated loan	2020/11/21~ 2025/11/25	0.4800%	None	4,552,600
First Commercial Bank	2011/11/30~ 2030/11/30	1.2791%	Yes	2,022,857
First Commercial Bank	2013/09/06~ 2033/09/06	1.4905%	Yes	1,147,355
First Commercial Bank	2015/04/09~ 2022/03/10	1.5433%	None	1,929
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~ 2028/04/15	1.6700%	Yes	11,400
Jincheng Bank Company Limited	2019/01/29~ 2022/01/25	9.1000%	Yes	322,240
Jih Sun International Bank Ltd.	2019/11/25~ 2022/11/25	1.0300%	None	1,000,000
Agricultural Bank of China Limited	2017/5/23~ 2027/12/26	4.4100%~ 4.900%	None	6,549,138
Taiwan Cooperative Bank	2019/12/16~ 2024/12/16	1.5000%	None	8,737
SG Equipment Finance Czech Republic s.r.o.	2017/11/09~ 2022/08/15	3.4700%	Yes	2,404
ChinaTrust Commercial Bank Ltd., etc. syndicated loan	2020/10/29~ 2022/12/26	1.8499%	None	840,000
Other loan				
China Bills Finance Corporation etc. syndicated loan	2018/8/22~ 2021/08/21	1.038%~ 1.046%	None	13,500,000
				46,334,660
Less: Current portion				(14,718,255)
Administration fee of syndicated loans				(12,555)
Unamortized discount				(10,653)
				$ 31,593,197

Institution	Loan period	Interest rate	Collateral	December 31, 2019
Long-term loans				
Mizuho Corporate Bank Ltd., etc. syndicated loan	2019/03/19~ 2022/02/26	2.7048%~ 2.7600%	None	$ 17,238,500
Mizuho Corporate Bank Ltd., etc. syndicated loan	2015/11/30~ 2020/11/30	0.4800%	None	5,038,500
Citi Bank	2017/05/17~ 2020/05/17	0.5500%	None	2,760,000
ING Bank, N.V. etc. syndicated loan	2013/01/07~ 2020/07/29	1.7900%	None	142,035
First Commercial Bank	2011/11/30~ 2030/11/30	1.5433%	Yes	2,142,857
First Commercial Bank	2013/09/06~ 2033/09/06	1.7548%	Yes	1,235,613
First Commercial Bank	2015/04/09~ 2022/04/09	1.8076%	None	3,472
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~ 2028/04/15	1.9900%~ 2.2000%	Yes	14,782
Jincheng Bank Company Limited	2019/01/29~ 2022/01/25	9.1000%	Yes	361,628
Jih Sun International Bank Ltd.	2019/11/25~ 2022/11/25	1.0300%	None	1,000,000
Agricultural Bank of China Limited	2017/5/23~ 2027/12/26	4.4100%~ 4.900%	None	6,332,503
Taiwan Cooperative Bank	2019/12/16~ 2024/12/16	1.6500%	None	1,000
Other loan				
China Bills Finance Corporation etc. syndicated loan	2017/12/25~ 2020/4/25	1.038%~ 1.046%	None	19,900,000
Others			None	6,081
				56,176,971
Less: Current portion				(14,553,911)
Administration fee of syndicated loans				(24,709)
Unamortized discount				(22,099)
				$ 41,576,252

A. Throughout the term of Mizuho Corporate Bank Ltd., JihSun International Commercial Bank Co., Ltd., ING Bank, N.V., First Commercial Bank, Citibank Ltd. and ChinaTrust Commercial Bank Ltd., etc. syndicated long-term loan agreement, the Group shall maintain certain financial ratios including current ratio, net debt to tangible assets and interest coverage ratio, to be tested semi-annually and annually on consolidated basis.

B. Details of long-term loans pledged as collateral are provided in Note 8.

(21) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law of Taiwan, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows (shown as "other non-current liabilities"):

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 1,944,761	$ 1,954,134
Fair value of plan assets	(543,215)	(566,295)
Net defined benefit liability	$ 1,401,546	$ 1,387,839

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 1,954,134	$ 566,295	$ 1,387,839
Current service cost	8,223	-	8,223
Interest income	-	4,530	(4,530)
Interest expense	15,633	-	15,633
	1,977,990	570,825	1,407,165
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	21,537	(21,537)
Change in financial assumptions	94,390	-	94,390
Experience adjustments	(25,227)	-	(25,227)
	69,163	21,537	47,626
Pension fund contribution	-	15,947	(15,947)
Paid pension	(102,392)	(65,094)	(37,298)
At December 31	$ 1,944,761	$ 543,215	$ 1,401,546

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 2,085,143	$ 651,298	$ 1,433,845
Current service cost	10,865	-	10,865
Interest income	-	7,165	(7,165)
Interest expense	22,937	-	22,937
	2,118,945	658,463	1,460,482
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	23,659	(23,659)
Change in financial assumptions	73,724	-	73,724
Experience adjustments	(42,661)	-	(42,661)
	31,063	23,659	7,404
Pension fund contribution	-	17,929	(17,929)
Paid pension	(195,874)	(133,756)	(62,118)
At December 31	$ 1,954,134	$ 566,295	$ 1,387,839

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2020	2019
Discount rate	0.4%	0.80%
Future salary increases	3.5%	3.50%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 59,721)	$ 62,244	$ 55,505	($ 53,680)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 61,696)	$ 64,388	$ 57,843	($ 55,861)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $15,845.

(h) As of December 31, 2020, the weighted average duration of the retirement plan is 13 years

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The subsidiaries in mainland China have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees' monthly salaries and wages to an independent fund administered by a government agency. The plan is administered by the government of mainland China. Other than the monthly contributions, the Group does not have further pension liabilities.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $10,737,739 and $15,145,169, respectively. As a result of the coronavirus pandemic in China in early 2020, the local government reduced by half the pension insurance for a period of six months from February 2020.

(22) Share-based payment

As of December 31, 2020 and 2019, the share-based payment transactions of Foxconn Interconnect Limited and Foxconn Industrial Internet Co., Ltd., subsidiaries of the Company, are set forth below:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Senior management share grant plan	January 1, 2015	349,440,000	Note (1)
Employee restricted shares plans	January 1, 2016	65,624,000	Note (2)
Restricted share plan	December 6, 2017	259,240,433	Note (3)
〃	April 30, 2019	149,183,352	Note (3)
〃	September 11, 2019	10,348,325	Note (3)
〃	December 31, 2019	18,881,226	Note (3)
Employee stock options	April 30, 2019	25,947,021	Note (4)
〃	September 11, 2019	473,000	Note (4)
〃	December 31, 2019	6,013,755	Note (4)
Share award scheme	June, 2018	2,874,000	Note (5)
〃	August, 2019	2,983,000	Note (5)
〃	November and December, 2020	6,483,000	Note (5)
Employee stock options	December 28, 2018	41,763,000	Note (6)

Note 1: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees' service periods. Shares will be vested from March 31, 2017 in accordance with the number of the grantees' shares at 9% in each quarter of 2017, 3% in each quarter of 2018 and 3.25% in each quarter from 2019 to 2022. Such vesting schedule was subsequently revised by the Company in May 2017, under which the shares will be vested from March 31, 2018 in accordance with the number of the grantees' shares at 12% in each quarter of 2018 and 3.25% in each quarter from 2019 to 2022.

Note 2: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees' service periods and certain performance indicators. Shares will be vested from December 31, 2016 in accordance with the number of the grantees' shares on every December 31 at 25% over the 4-year period, subject to performance related adjustment.

Note 3: The employees can only exercise the rights after fulfilling the stipulated term of service under the limited partnership agreement. The difference between the fair value of the equity instrument and the consideration paid by the employee to acquire the instrument is amortised over a service period of 3 to 5 years starting from the grant date.

Note 4: From the date of grant that exercises issue annually in five years, each issue exercises 20% equally.

Note 5: Vested immediately.

Note 6: Vesting period is over 1 to 4 years starting from grant date which was December 28, 2018.

A. Senior management share grant plan-Foxconn Interconnect Technology Limited

The weighted average fair value of shares granted under this plan determined using the H-model was USD 0.25 per share. The significant inputs into the model were weighted average cost of capital of 13.4%, perpetuity growth rate of 3%, discount for lack of marketability of 20% and control premium of 20%. The volatility is measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices of comparable companies in the market. For the years ended December 31, 2020 and 2019, expenses incurred on senior management share grant plan were $129,724 (USD4,390 thousand) and $205,459 (USD6,647 thousand), respectively.

B. Employees' share restricted share plan-Foxconn Interconnect Technology Limited

The weighted average fair value of shares granted determined using the market approach was USD0.375 per share. The significant input applied in this approach was price/earnings ratio of 13.5. For the years ended December 31, 2020 and 2019, expenses incurred on employees' restricted share plan were $0 (USD0) and a reversal of $11,591 (USD375 thousand), respectively.

C. Restricted share plan-Foxconn Industrial Internet Co., Ltd

The fair value of shares granted was RMB3,873,301 thousand. For the years ended December 31, 2020 and 2019, expenses incurred on restricted share plan were $3,894,434 (RMB909,532 thousand) and $3,191,075 (RMB712,962 thousand), respectively.

D. Employee stock options-Foxconn Industrial Internet Co., Ltd

The increment of fair value related to the Options determined using the Black-Scholes model was RMB217,098 thousand. For the years ended December 31, 2020 and 2019, expenses incurred on employee stock options were $274,570 (RMB64,125 thousand) and $185,236 (RMB41,386 thousand), respectively.

E. Share award scheme-Foxconn Interconnect Technology Limited

Existing shares of the Company will be purchased by an independent trustee of the share award scheme from the market out of cash contributed by the Group and be held in trust until such shares are awarded and vested in accordance with the provisions of the share award scheme from 2018. For the years ended December 31, 2020 and 2019, expenses incurred on share award scheme were $63,096 (USD2,135 thousand) and $123,578 (USD4,182 thousand), respectively.

F. Employee stock options-Foxconn Interconnect Technology Limited

On December 28, 2018, the Company granted certain eligible employees an aggregated 41,763,000 share options at an exercise price of HKD3.422 per share and will be vested over 1-year to 4-year period. The share options granted are subject to performance related adjustment. The fair value of the options determined using the Black-Scholes model was $185,091 (USD6,139 thousand), and the share-based payment expenses incurred under this transaction for the years ended December 31, 2020 and 2019 were $41,991 (USD1,421 thousand) and $115,665 (USD3,742 thousand), respectively.

(23) Other non-current liabilities

	December 31, 2020	December 31, 2019
Deferred government grants	$ 4,598,516	$ 3,040,714
Reserve for retirement pension	1,460,160	1,443,836
Contract liabilities-non-current	1,693,008	-
Others	3,231,652	2,781,969
	$ 10,983,336	$ 7,266,519

(24) Provisions

	Warranty	Decommissioning liabilities	Others	Total
At January 1, 2020	$ 2,707,812	$ 369,953	$ 17,481	$ 3,095,246
Provisions during the year	3,252,760	37,962	1,138	3,291,860
Used during the year	(642,717)	-	(9,334)	(652,051)
Unused amounts reversed	(1,045,457)	-	(1,248)	(1,046,705)
Exchange differences	(143,918)	-	-	(143,918)
At December 31, 2020	$ 4,128,480	$ 407,915	$ 8,037	$ 4,544,432

Analysis of total provisions:

	December 31, 2020	December 31, 2019
Current	$ 4,136,517	$ 2,725,293
Non-current	$ 407,915	$ 369,953

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

B. In accordance with the applicable agreements or the law/regulation requirements, the Group bears dismantling, removing the asset and restoring the site obligations for certain base stations. Provision was recognized at the present value of costs which was estimated to be incurred for dismantling, removing the asset and restoring the site. The decommissioning activities are ongoing.

(25) Share capital – common stock

A. As of December 31, 2020, the Company’s authorised capital was $180,000,000, consisting of 18 billion shares of ordinary stock, and the paid-in capital was $138,629,906, consisting of 13,862,991 thousand shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository receipts (GDRs) in Europe, Asia and the USA. The issuance amounted to USD 347,250 thousand, and the main terms and conditions of the GDRs are as follows:

(a) Voting

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting, except when a motion is on the election of directors or supervisors. A holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting.

(b) Sale and withdrawal of GDRs

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

(c) Dividends

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

(d) As of December 31, 2020, 94,433 thousand units of GDRs were outstanding, which represents 188,867 thousand shares of common stock.

C. Treasury stocks

The Company's subsidiary, Hon Jin International Investment Co., Ltd., acquired ordinary shares issued by the Company in 1998. As of December 31, 2020 and 2019, the subsidiary all owned a total of 1,483,078 shares. The original cost of treasury stocks was $18,901, and the cost after capital reduction was $15,194.

(26) Capital surplus

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

	2020				
	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Share option	Total
At January 1, 2020	$ 88,501,031	$ 99,189,558	$ 10,593,529	$ 1,099,253	$199,383,371
Adjustments arising from changes in percentage of ownership in subsidiaries	-	3,252,539	-	-	3,252,539
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	10,032	-	10,032
At December 31, 2020	$ 88,501,031	$102,442,097	$ 10,603,561	$ 1,099,253	$202,645,942

	2019				
	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Share option	Total
At January 1, 2019	$ 88,501,031	$ 88,873,887	$ 11,544,285	$ 1,099,253	$190,018,456
Adjustments arising from changes in percentage of ownership in subsidiaries	-	10,315,671	-	-	10,315,671
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	(950,756)	-	(950,756)
At December 31, 2019	$ 88,501,031	$ 99,189,558	$ 10,593,529	$ 1,099,253	$199,383,371

(27) Retained earnings

A. The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:

(a) Recovering of losses;

(b) Appropriation of 10% for legal reserve.

(c) Appropriation or reversal of special reserve pursuant to applicable law or regulation.

As to the earnings available for appropriation to shareholders including accumulated unappropriated earnings and earnings available for appropriation this year, the board of directors is authorised to draft an appropriation plan in accordance with the dividend policy in Section D of the Articles of Incorporation.

The board of directors is authorised to distribute dividends and bonuses in whole or in part, which may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors.

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 the interests of shareholders and the long-term financial planning. Shareholder dividends are set aside on accumulated unappropriated 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.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of 2020 earnings was proposed during the board meeting on March 30, 2021. The appropriation of 2019 earnings had been resolved at the shareholders' meeting on June 23, 2020. Details are summarized as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 9,711,843	$ -	$ 11,530,874	$ -
Special reserve	(15,136,594)	-	42,141,793	-
Cash dividends	55,451,962	4.0	58,224,561	4.2
	$ 50,027,211	$ 4.0	$ 111,897,228	$ 4.2

The information on distribution of earnings will be posted on the "Market Observation Post System" of the TSEC.

(28) Other equity items

	Financial assets at fair value through other comprehensive income	Currency translation adjustments	Total
At January 1, 2020	$ 11,437,746	($ 113,889,466)	($ 102,451,720)
- Group	25,301,449	(12,757,150)	12,544,299
- Associates	497,658	2,094,637	2,592,295
At December 31, 2020	$ 37,236,853	($ 124,551,979)	($ 87,315,126)

	Financial assets at fair value through other comprehensive income	Currency translation adjustments	Total
At January 1, 2019	$ 5,089,256	($ 65,399,183)	($ 60,309,927)
- Group	3,320,113	(47,393,440)	(44,073,327)
- Associates	3,028,377	(1,096,843)	1,931,534
At December 31, 2019	$ 11,437,746	($ 113,889,466)	($ 102,451,720)

(29) Non-controlling interests

	Years ended December 31, 2020	Years ended December 31, 2019
At January 1	$ 159,641,071	$ 120,555,419
Share attributable to non-controlling interests:		
Gain for the year	12,530,780	16,876,352
Currency translation difference	(2,623,729)	(3,873,096)
Unrealised losses on investments in equity instruments measured at fair value through other comprehensive income	(645,723)	(144,618)
Changes in non-controlling interest	7,966,634	26,227,014
At December 31	$ 176,869,033	$ 159,641,071

A. Certain subsidiaries of the Group have issued employee share-based payment and new shares during 2020 and 2019. The Group has not purchased additional shares in proportion to its ownership and thus, the non-controlling interest of the Group increased by $424,634 and $3,091,260 and equity attributable to owners of the parent increased by $3,252,539 and $10,315,671 for the years ended December 31, 2020 and 2019, respectively.

B. The main reason of the change in 2020 is because the Group established Foxtron Vehicle Technologies Co., Ltd. (“Foxtron Vehicle”) together with Hua-Chuang Automobile Information Technical Center Co., Ltd., where the Group owned 51% equity interest in Foxtron Vehicle. The non-controlling intertest of the Group increased by $7,542,000 due to this transaction.

C. The main reason of the change in 2019 is because the Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (shown as “Asia Pacific”) on November 21, 2019. After acquisition, the Group owned 40.74% equity interest in Asia Pacific. The non-controlling intertest of the Group increased by $23,135,754 due to this transaction. Details are provided in Note 6(39).

(30) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time. Details of major product lines and geographical regions are provided in Note 14(5).

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities (shown as "other current liabilities"and "other non-current liabilities")	$ 26,905,541	$ 25,153,889	$ 14,843,660

Revenue of $19,321,686 and $9,253,850 were recognized in 2020 and 2019, respectively which were included in the contract liability balance at the beginning of the year.

C. Assets recognized from costs to obtaining a contract

Under IFRS 15, the incremental costs related to obtaining a telecommunication contract was recognized as an asset as the Group expects to recover these costs. For the details on incremental costs recognized during the year ended December 31, 2020, please refer to Note 6(14).

(31) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	$ 44,066,553	$ 73,481,514
Interest income from current financial assets at amortised cost	3,867,799	2,337,822
	$ 47,934,352	$ 75,819,336

(32) Other income

	Years ended December 31,	
	2020	2019
Rental income	2,937,565	2,878,314
Dividend income	4,891,042	6,423,484
Government grants	1,241,388	2,679,066
Other non-operating income	2,817,538	2,580,054
	$ 11,887,533	$ 14,560,918

(33) Other gains and losses

	Years ended December 31, 2020	Years ended December 31, 2019
Net gain on financial assets and liabilities at fair value through profit or loss	$ 13,727,567	$ 10,996,109
Loss on disposal of property, plant and equipment	(873,283)	(837,950)
Gain on disposal of investment	633,645	1,869,967
Net currency exchange loss	(1,671,581)	(4,509,384)
Impairment loss	(959,481)	(391,323)
Other losses	(3,542,402)	(1,559,969)
	$ 7,314,465	$ 5,567,450

(34) Expenses by nature

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

	Years ended December 31, 2020	Years ended December 31, 2019
Product warranty costs	$ 36,411,836	$ 49,931,158
Employee benefit expense	316,031,261	305,622,749
Depreciation	60,952,265	65,144,046
Amortisation	4,161,469	1,864,811
	$ 417,556,831	$ 422,562,764

(35) Employee benefit expense

	Years ended December 31, 2020	Years ended December 31, 2019
Wages and salaries	$ 276,615,237	$ 261,371,295
Share-based payment	4,403,815	3,831,801
Labor and health insurance fees	8,187,657	10,392,808
Pension costs	10,757,065	15,180,806
Other personnel expenses	16,067,487	14,846,039
	$ 316,031,261	$ 305,622,749

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall be between 5% and 7% for employees' compensation and 0% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $6,001,329 and $6,350,593, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized for 2020 and 2019 were both estimated and accrued based on 5% of profit of current year distributable.

For 2020, the employees' compensation resolved by the Board of Directors amounted to $6,001,329 on March 30, 2021. The amount was the same as the amount recognized in the financial statements for the year ended December 31, 2020, and will be distributed in the form of cash.

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

(36) Financial costs

	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense:		
Bank borrowings	$ 36,124,258	$ 62,179,187
Corporate bonds	2,831,396	2,755,509
Interest expense from lease liability	1,193,246	1,174,008
Financing expense from accounts receivable factoring	168,113	491,992
	$ 40,317,013	$ 66,600,696

(37) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2020	Years ended December 31, 2019
Current tax:		
Current tax on profits for the year	$ 30,671,601	$ 29,083,236
Tax on undistributed surplus earnings	422,473	1,876,967
Adjustments in respect of prior years	744,825	(408,665)
Total current tax	31,838,899	30,551,538
Deferred tax:		
Origination and reversal of temporary differences	188,548	2,043,859
Impact of change in tax rate	(880,800)	(902,538)
Total deferred tax	(692,252)	1,141,321
Income tax expense	$ 31,146,647	$ 31,692,859

(b) The income taxes (charge)/credit relating to components of other comprehensive income are as follows:

	Years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	$ 9,525	$ 1,481

B. Reconciliations between income tax expense and accounting profit.

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	$ 44,820,354	$ 53,789,473
Tax exempt income by tax regulation	(13,979,463)	(22,743,457)
Prior year income tax underestimation (overestimation)	744,825	(408,665)
Tax on undistributed earnings	422,473	1,876,967
Others	(861,542)	(821,459)
Income tax expense	31,146,647	31,692,859
Change in deferred income tax	(188,548)	(2,043,859)
Impact of change in the tax rate	880,800	902,538
Prior year income tax (underestimation) overestimation	(744,825)	2,231,922
Prepaid income tax	(5,916,004)	(8,424,540)
Income tax payable (receivable) for prior years	638,116	(2,909,750)
Others	(1,811,868)	(2,917,881)
Current income tax liability	$ 24,004,318	$ 18,531,289

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

	Years ended December 31, 2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Reserve for inventory obsolescence and market price decline	$ 1,392,595	$ 661,334	$ -	$ 2,053,929
Deferred revenue	1,366,424	8,461	-	1,374,885
Unrealised loss on financial instruments	177,600	81,285	-	258,885
Accrued expenses	1,727,478	(17,293)	-	1,710,185
Difference between accounting and tax bases due to depreciation	1,841,610	78,080	-	1,919,690
Reserve for pension cost	278,064	3,004	9,525	290,593
Unused compensated absences	775,714	(238,383)	-	537,331
Others	11,141,980	659,374	-	11,801,354
	18,701,465	1,235,862	9,525	19,946,852
－Deferred tax liabilities:				
Foreign investment income using equity method	(4,378,792)	(437,189)	-	(4,815,981)
Unrealised exchange gain	(459,505)	(267,074)	-	(726,579)
Interest income	(3,711,661)	1,134,757	-	(2,576,904)
Others	(9,711,551)	(974,104)	-	(10,685,655)
	(18,261,509)	(543,610)	-	(18,805,119)
	$ 439,956	$ 692,252	$ 9,525	$ 1,141,733

	Years ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Reserve for inventory obsolescence and market price decline	$ 2,593,980	($ 1,201,385)	$ -	$ 1,392,595
Deferred revenue	1,452,329	(85,905)	-	1,366,424
Unrealised loss on financial instruments	905,098	(727,498)	-	177,600
Accrued expenses	1,903,523	(176,045)	-	1,727,478
Difference between accounting and tax bases due to depreciation	4,028,238	(2,186,628)	-	1,841,610
Reserve for pension cost	286,833	(10,250)	1,481	278,064
Unused compensated absences	238,191	537,523	-	775,714
Others	4,821,112	6,320,868	-	11,141,980
	16,229,304	2,470,680	1,481	18,701,465
—Deferred tax liabilities:				
Foreign investment income using equity method	(5,545,097)	1,166,305	-	(4,378,792)
Unrealised exchange gain	(258,631)	(200,874)	-	(459,505)
Interest income	(2,896,500)	(815,161)	-	(3,711,661)
Unrealised gain on financial instruments	(272,430)	272,430	-	-
Others	(5,676,850)	(4,034,701)	-	(9,711,551)
	(14,649,508)	(3,612,001)	-	(18,261,509)
	$ 1,579,796	($ 1,141,321)	$ 1,481	$ 439,956

D. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the temporary differences unrecognized as deferred tax liabilities were $1,120,928,606 and $1,059,304,231, respectively.

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

F. The Company applied for and has been approved to repatriate funds overseas (including Mainland China) within the time limit in accordance with the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" issued by R.O.C government. The tax rate for the fund repatriation is 8% for the first year and 10% for the second year. For exemption from taxation under the general income tax system, within 1 year after the repatriation of funds, the Company can apply with the Ministry of Economic Affairs to engage in substantive investment, and those who complete it within the time limit can enjoy a 50% tax refund.

(38) Earnings per share

	Years ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 101,794,807	13,861,508	$ 7.34
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 101,794,807	13,861,508	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	65,232	
Convertible bonds-overseas	227,880	96,070	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 102,022,687	14,022,810	$ 7.28

	Years ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 115,308,736	13,861,508	$ 8.32
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 115,308,736	13,861,508	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	69,940	
Convertible bonds-overseas	224,339	91,240	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 115,533,075	14,022,688	$ 8.24

(39) Business combinations

A. The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (“Asia Pacific”) for $10,000,000 on November 21, 2019. After acquisition, the Group owned 40.74% interest in Asia Pacific, which represented majority of the voting rights of its shareholders, and has control over the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since control date. Communications is the main business of Asia Pacific. With the acquisition, the Group expects to develop 5-generation (5G) communication.

B. The Group established Foxtron Vehicle Technologies Co., Ltd. (“Foxtron Vehicle”) together with Hua-Chuang Co., Ltd. on November 6, 2020. Hua-Chuang Co., Ltd. contributed asset with a value of $7,542,000 as capital, and the Group contributed cash amounting to $7,850,321 as capital. From the business combination, the Group mainly obtained the technology in progress and construction in progress-mould equipment amounting to $6,360,000 and $1,128,000, respectively. With the acquisition, the Group looks forward to develop the business of electric vehicle.

C. The fair value of identifiable assets acquired and liabilities assumed are summarized as follows:

	2020	2019
	Foxtron Vehicle Technologies Co., Ltd.	Asia Pacific Telecom Co., Ltd.
Purchase consideration		
Cash paid	$ 7,850,321	$ 10,000,000
Fair value of equity interest	-	6,393,680
Fair value of the non-controlling interest	7,542,000	22,862,687
	15,392,321	39,256,367
Recognized amount of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	7,850,321	9,297,209
Notes receivable and accounts receivable	-	1,965,828
Other receivables	-	117,277
Inventories	-	495,850
Property, plant and equipment	1,182,000	11,608,612
Right-of-use assets	-	3,207,059
Intangible assets	6,360,000	12,680,996
Deferred income tax assets	-	4,309,033
Other non-current assets	-	6,549,306
Short-term loans and notes and bills payable	-	(3,285,344)
Accounts payable	-	(1,281,558)
Other payables	-	(2,686,196)
Deferred income tax liabilities	-	(608,502)
Lease liabilities	-	(3,207,059)
Other liabilities	-	(694,512)
Total identifiable net assets	15,392,321	38,467,999
Goodwill	$ -	$ 788,368

D. The fair value of the acquired identifiable tangible and intangible assets of $7,542,000 (including electric vehicle platform, automobile power system and related developing technology, and mould equipment) is provisional pending the final purchase price allocation. For details, please refer to Notes 6(9) and 6(13).

E. Fuxiang Precision Industrial (Kunshan) Co., Ltd., a subsidiary of the Company, acquired 100% equity interest in Mingyang Realty Development (Kunshan) Co., Ltd. and Tuozhan Property Development Co., Ltd. on April 12, 2019 and May 9, 2019, respectively, for a consideration of RMB217,730 thousand and RMB574,945 thousand, respectively. The combinations mainly acquired investment property of $2,047,982 and goodwill of $261,037.

F. FuYang Soleros Technology (Nanyang) Co., Ltd., a subsidiary of the Company, acquired 100% equity interest in Shandong Chengshang Energy Co., Ltd. in the second quarter of 2020 for a consideration of RMB275,260 thousand. The combination mainly acquired property, plant and equipment of $1,400,306.

G. Foxconn Precision International Limited, a subsidiary of the Company, acquired 100% equity interest in Leapsy International Ltd. in the second quarter of 2020 for a consideration of RMB31,068 thousand. The combination mainly acquired patent of $142,697.

(40) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	$ 65,897,393	$ 69,474,703
Add: Opening balance of payable on equipment	22,418,721	31,245,417
Less: Ending balance of payable on equipment	(22,979,363)	(22,418,721)
Net exchange differences	163,290	(779,948)
Cash paid during the year	$ 65,500,041	$ 77,521,451
Disposal of property, plant and equipment	$ 6,054,328	$ 4,413,731
Add: Opening balance of receivable on equipment	220,019	2,383,723
Less: Ending balance of receivable on equipment	(170,110)	(220,019)
Net exchange differences	362	(7,483)
Cash received during the year	$ 6,104,599	$ 6,569,952

B. Changes in liabilities from financing activities

For the years ended December 31, 2020 and 2019, liabilities from financing activities included short-term loans, short-term notes and bills payable, corporate bonds payable and long-term loans, the related changes resulting from cash flows from financing activities, discount amortisation and changes in exchange rate. Summarised amount is as follows, and relevant information is shown in the statements of cash flows:

	2020	2019
At January 1	$ 681,576,217	$ 778,219,243
Changes in cash flow from financing activities	96,662,052	(97,615,713)
Changes in other non-cash items	357,478	3,492,753
Impact of changes in foreign exchange rate	(2,836,783)	(2,520,066)
At December 31	$ 775,758,964	$ 681,576,217

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Sharp Corporation and subsidiaries	Associate
Foxconn Technology Co., Ltd. and subsidiaries	Associate
Pan International Industrial Corporation and subsidiaries	Associate
Eson Precision Ind. Co., Ltd. and subsidiaries	Associate
General Interface Solution Holding Limited and subsidiaries	Associate
Zhen Ding Technology Holding Limited and subsidiaries	Associate
Ennoconn Corporation and subsidiaries	Associate
CyberTAN Technology, Inc. and subsidiaries	Associate
Foxsemicon Integrated Technology Inc. and subsidiaries	Associate
G-TECH Optoelectronics Corporation	Associate
Advanced Optoelectronic Technology Inc.	Associate
Ampower Technology Co., Ltd.	Associate
Asia Pacific Telecom Co., Ltd.	Associate
Fitipower Integrated Technology Inc.	Associate
Zeitec Semiconductor Co., Ltd.	Associate
Foxstar Technology Co., Ltd.	Associate
CJ Electric Systems Co., Ltd.	Associate
Ampower (BeiHai) Ltd.	Associate
SafeDX S.R.O.	Associate
Beijing HengYu New Energy Auto Rental Co., Ltd.	Associate
Shanghai Topone Logistics Co., Ltd.	Associate
Hangzhou GengDe Electronics Co., Ltd.	Associate
Shenzhen Lluvia Technology Co., Ltd.	Associate
Trans-Iot Technology Co., Ltd.	Associate
Hongkang Zhihui Corporation Limited	Associate
HaiWei Technology (Shenzhen) Co., Ltd.	Associate
Morgen Precision Industry Co., Ltd. and subsidiaries	Associate
He Cheng Da Technology (Shenzhen) Co., Ltd.	Associate
Sichuang Cheng Gong Fu Chuang Technology Co., Ltd.	Associate

Names of related parties	Relationship with the Group
Maxnerva Technology Services Ltd and subsidiaries	Associate
FuDongQun Automation Technology (Shenzhen) Co., Ltd.	Associate
Cheng Uei Precision Industry Co., Ltd. and subsidiaries	Other related party
Innolux Corporation and subsidiaries	Other related party
SIO International Holdings Limited and subsidiaries	Other related party
ES Platform Limited	Other related party

(2) Significant transactions and balances with related parties

A. Sales

	Years ended December 31,	
	2020	2019
Sales of goods:		
Associates	$ 150,243,473	$ 175,044,681
Other related parties	10,635,966	11,510,848
	$ 160,879,439	$ 186,555,529

The amounts above include administration and service revenue. Except for the circumstances in which there are no similar transactions for reference and accordingly the prices and credit periods are negotiated by both parties, the rest of the aforementioned related parties transactions are offered with prices very close to those offered to other customers and given a payment period of 45 to 90 days. For the transactions involving the sale of raw materials to the aforementioned related parties and subsequent repurchase of finished goods made from the same raw materials from the same party, the initial sale of raw materials is eliminated due to economic substance. The sales amount of materials and repurchase price of finished goods were offset against each other and shown at net amount in the financial statements.

B. Purchases

	Years ended December 31,	
	2020	2019
Purchase of goods:		
Associates	$ 86,802,568	$ 79,158,346
Other related parties	11,999,940	15,378,481
	$ 98,802,508	$ 94,536,827

Except for the circumstances in which there are no similar transactions for reference and accordingly the prices and payment terms are negotiated by both parties, the Group purchases from the supplier and aforementioned related parties at the prevailing market price. The payment terms dealt with other vendors and related parties are 45 to 90 days and 30 to 90 days, respectively.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Associates	$ 37,132,298	$ 44,003,230
Other related parties	2,296,652	2,214,499
Less: Reclassified as other receivables	-	(1,449,260)
Less: Allowance for doubtful accounts	(14,786)	(13,865)
	39,414,164	44,754,604
Other receivables - sale of property, plant and equipment:		
Associates	126,389	38,441
Other receivables - purchase of materials on behalf of related parties:		
Associates	1,075,843	1,467,582
Other related parties	50,738	121,893
Other receivables - disposal of investment:		
ES Platform Limited	5,172,696	21,859,451
Other receivables:		
Associates	-	1,449,260
Less: Allowance for doubtful accounts	(1,293,174)	(762,872)
	5,132,492	24,173,755
	$ 44,546,656	$ 68,928,359

(a) The amount is due 45 to 90 days after the transaction date.

(b) The Company disposed the preferred C stock shares without voting rights of Sharp Corporation on December 29, 2017. The consideration for the disposal of 1,136,363 shares was $93,128,046 (¥352,490,712 thousand), which is due in each quarter beginning from the settlement date. Both of the transaction parties have agreed the last settlement date to be on March 31, 2022. As of December 31, 2020 and 2019, the allowance for doubtful accounts amounted to $1,293,174 and $762,872, respectively.

(c) The receivables are unsecured and non-interest bearing.

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

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
Associates	$ 24,842,288	$ 30,846,862
Other related parties	2,837,758	4,662,265
Subtotal	27,680,046	35,509,127
Other payables - acquisition of property, plant and equipment:		
Associates	456,315	311,969
Other payables - procurement of raw materials on behalf of others:		
Associates	2,019,678	2,005,923
Subtotal	2,475,993	2,317,892
Total	$ 30,156,039	$ 37,827,019

The amount is due 30 to 90 days after the transaction date. The payables are non-interest bearing.

E. Lease transactions－lessee

(a) The Group leases buildings from associates. Rental contracts are typically made for periods of 1 to 3 years. Rents are paid at the end of each month.

(b) For the years ended December 31, 2020 and 2019, the Group acquired right-of-use assets of $803 and $9,985, respectively, from related parties.

(c) Lease liabilities

	December 31, 2020	December 31, 2019
Associates	$ 156,507	$ 297,003

For the years ended December 31, 2020 and 2019, the interest expense incurred on lease liabilities were $13,682 and $14,364, respectively

F. Prepayments:

	December 31, 2020	December 31, 2019
Associates	$ 1,686	$ 3,888

G. Property transactions:

(a)Acquisition of property, plant and equipment:

	Years ended December 31,	
	2020	2019
Acquisition of property, plant and equipment:		
Associates	$ 746,176	$ 1,429,367

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

	Years ended December 31,			
	2020		2019	
	Proceeds from sale of property, plant and equipment	Gain	Proceeds from sale of property, plant and equipment	Gain
Sale of property, plant and equipment:				
Associates	$ 83,684	$ 19,310	$ 105,123	$ 45,508
Other related parties	51,098	16,171	-	-
	$ 134,782	$ 35,481	$ 105,123	$ 45,508

(c) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2019 Consideration
Asia Pacific Telecom Co., Ltd.	Note	1 billion	Common Shares	$ 10,000,000
Shanghai Topone Logistics Co., Ltd.	Investment accounted for using equity method	-	Common Shares	645,765
Ennoconn Corporation	Investment accounted for using equity method	1,892 thousand	Common Shares	416,186
Sharp Corporation	Financial assets at fair value though other comprehensive income	4,500 thousand	Preferred shares of Kantatsu Co., Ltd.	1,654,226
				$ 12,716,177

Note: The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the "Asia Pacific") for $10,000,000 on November 21, 2019. After acquisition, the Group owned 40.74% equity interest in Asia Pacific which represented the majority of the voting right of its shareholders and control the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since control date. Deatails are provided in Note 6(39)

(d) Disposal of financial assets:

	Item recognised	Shares traded	Transaction target	Year ended December 31, 2020 Proceeds from disposal	Year ended December 31, 2020 Gain on sale
Associates	Investment accounted using the equity method	-	Efeihu (Taiwan) Limited	$ 10,199	$ 44

H. Loans to related parties

(a) Receivables from related parties

	December 31, 2020	December 31, 2019
Associates	$ 153,282	$ 192,788

For the information on the impairment loss on loans to related parties and related allowance for uncollectible accounts, please refer to Note 12(2). For collaterals, please refer to Table 1.

(b) Interest income

	Years ended December 31, 2020	Years ended December 31, 2019
Associates	$ 8,374	$ 28,331

For the years ended December 31, 2020 and 2019, the interest were both recognized at the rates of 1.8%~12%.

(3) Key management compensation

	Years ended December 31, 2020	Years ended December 31, 2019
Salaries and other short-term employee benefits	$ 596,514	$ 720,622
Post-employment benefits	2,330	2,966
Share-based payments	409,417	413,230
	$ 1,008,261	$ 1,136,818

8. PLEDGED ASSETS

As of December 31, 2020 and 2019, the book values of the Group's pledged assets are as follows:

Assets	Nature	December 31, 2020	December 31, 2019
Time deposits and cash (shown as "current financial assets at amortised cost")	Customs deposits and short-term loans	$ 246,751	$ 319,744
Restricted deposits (shown as "current financial assets at amortised cost")	Guarantee for prepaid card, performance bond, reserve accounts for short-term loans and security for litigation	468,414	133,411
Time deposits and cash (shown as "non-current financial assets at amortised cost")	Security deposit for provisional attachment, bond deposit as security for court proceedings, security deposit for employment of foreign employees and customs deposits	53,352	43,779
Restricted deposits (shown as "non-current financial assets at amortised cost")	Switch center lease guarantee, performance bond and the deposits restricted by the court	1,400,641	-
Property, plant and equipment and right-of-use asset	Long-term loans	4,789,314	5,155,879
		$ 6,958,472	$ 5,652,813

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Except for Note 6(4), contingencies and commitments are as follows:

(1) Contingencies - Significant legal matter

On March 8, 2019, Microsoft Corporation and Microsoft Licensing, GP sued the Group over the dispute regarding the royalty payment under the patent licensing agreement. The two parties in the case has reached a settlement in August 2020. Accordingly, the Group has properly accrued the settlement value in the financial statements..

(2) Commitments

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

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 6,191,810	$ 3,850,503

B. As of December 31, 2020 and 2019, a subsidiary of the Company, Asia Pacific Telecom Co., Ltd., had outstanding contracts for equipment procurements and base transceiver stations construction totaling $4,248,875 and $1,503,888, respectively, which will be paid in the future or paid by issuing promissory notes and commercial papers.

C. On September 4, 2020, the Company passed the resolution of the Board of Directors to exchange 527,524,409 ordinary shares of Asia Pacific Telecom Co., Ltd. held by the Company in exchange for approximately 81,842,616 ordinary shares issued by Far EasTone Telecommunications Co., Ltd. After the approval by the authority, the share exchange is expected to be completed on June 30, 2022.

D. The Group entered into a business cooperation agreement with FET. The period of the agreement is from September 4, 2020 to December 31, 2040. It is expected that after obtaining approval from the regulatory authority, the Group will cooperate with FET to provide service on 3.5GHz frequency band through Multi-Operator Core Networks (MOCN). The Group will share two-ninths of the network deployment cost of FET's 3.5GHz frequency band of which the cost of spectrum sharing amounted to $9,473,000 in order to obtain two-ninths of use right capacity of the 3.5GHz frequency band. This cooperation agreement was approved with conditions by the National Communications Commission (NCC) Committee, the regulatory authority, on March 3, 2021. The aforementioned cooperation agreement will also need the approval of the Fair Trade Commission before it can be implemented.

E. In order to enhance spectrum efficiency and increase competitiveness with FET, as resolved by the Board of Directors on November 5, 2020, the Group entered into (a) a service on 700MHz through MOCN agreement effective from November 5, 2020 to December 31, 2030 which the Group and FET agreed to share the costs and expenses arising from or related to the agreement in the proportions of two-ninths and seven-ninths, respectively; and (b) a frequency exchange agreement wherein the Group exchanges its 723MHz~728MHz (uplink) and 778MHz~783MHz (downlink) frequency bands with FET's 2595MHz~2615MHz frequency bands and the exchange value is based on mutual agreement. The two aforementioned agreements must be approved by the regulatory authority before they can be implemented. However, if the service on 700MHz through MOCN agreement is approved earlier than the frequency exchange exercise date, the frequency exchange agreement is automatically terminated.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. The appropriation of 2020 earnings was approved by the Board of Directors on March 30, 2021. Please refer to Note 6(27).

B. The Company will issue the first overseas convertible unsecured corporate bonds of 2021, as approved by the Board of Directors on March 31, 2021. The total issue amount will not be more than USD700,000 thousand and the circulation period will not be more than five years.

C. The cooperation agreement between the Group and FET for the 3.5GHz frequency band through MOCN was approved with conditions by the NCC Committee, the regulatory authority, on March 3, 2021. For related details, please refer to Note 9(2) Commitments.

12. OTHERS

(1) Capital management

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

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio at 70% or below.

(2) Financial instruments

A. Financial instruments by category

Please refer to the consolidated balance sheets and Note 6 for the amounts and details of the financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, accounts receivable (including related parties) and other receivables) and financial liabilities (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, short-term loans, long-term loans and corporate bonds payable).

B. Financial risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.

ii. As for market risk, the goal is to optimize its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.

iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.

iv. For the information on the derivative financial instruments that the Group enters into, please refer to Note 6(2).

(c) Management system:

i. Risk management is executed by the Group’s finance department by following policies approved by the Board. Through cooperation with the Group's operating units, finance department is responsible for identifying, evaluating and hedging financial risks.

ii. The Board has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. <u>Foreign exchange risk</u>

(i) Nature:

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

a. Foreign exchange risk arises from different exchange rates to functional currency as the invoice dates of accounts receivable and payable denominated in non-functional foreign currency are different. Due to the characteristics of the subcontracting industry, the Company’s revenue and expenditures are mostly denominated in foreign currency. Thus, the remaining net foreign exchange risk is not material after offsetting assets and liabilities. Furthermore, although the variations in currencies of the Company’s certain foreign investments in emerging countries (i.e. Brazil, Mexico, etc.) are considered huge, the percentage of the investments is not significant and thus the Company’s foreign exchange risk can be maintained in the controllable range. (Note: The Group has several sites in various countries and thus is exposed to various foreign exchange risks. The main risk arises from USD and RMB.)

b. Except for the above transactions (operating activities) recognized in the income statement, assets and liabilities recognized in the balance sheet and the net investment in foreign operations also result in the exchange rate risk.

(ii) Management:

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

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

(iii) The source:

a. U.S. dollar and NT dollar:

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

b. U.S. dollar and RMB:

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

c. JPY and U.S. dollar:

Foreign exchange risk arises primarily from yen-denominated loans, accounts payable and other payables, which results in exchange loss or gain when they are converted into U.S. dollar.

d. JPY and NT dollar:

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

(iv) Extent

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

(Foreign currency: Functional currency)	December 31, 2020 Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
USD : NTD	$ 24,831,785	28.48	$ 707,209,237	1%	$ 7,072,092
USD : RMB	21,170,183	6.5402	602,926,812	1%	6,029,268
JPY : USD	40,787,990	0.0097	11,269,722	1%	112,697
JPY : NTD	19,401,596	0.2763	5,360,661	1%	53,607
Net effect in consolidated entities with foreign currency					
USD : NTD	$ 48,918,393	28.48	$ 1,393,195,833		
Financial liabilities					
Monetary items					
USD : NTD	$ 20,957,158	28.48	$ 596,859,860	1%	$ 5,968,599
USD : RMB	12,329,569	6.5402	351,146,125	1%	3,511,461
JPY : USD	8,459,700	0.0097	2,337,415	1%	23,374
JPY : NTD	1,329,434	0.2763	367,323	1%	3,673

(Foreign currency: Functional currency)	December 31, 2019 Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
USD : NTD	$ 15,262,225	29.98	$ 457,561,506	1%	$4,575,615
USD : RMB	29,249,562	6.9638	876,901,869	1%	8,769,019
JPY : USD	91,298,663	0.0092	25,198,431	1%	251,984
RMB : NTD	86,240,866	0.2760	23,802,479	1%	238,025
Net effect in consolidated entities with foreign currency					
USD : NTD	$ 44,243,649	29.98	$ 1,326,424,597		
Financial liabilities					
Monetary items					
USD : NTD	$ 11,994,176	29.98	$ 359,585,396	1%	$3,595,854
USD : RMB	16,165,597	6.9638	484,644,598	1%	4,846,446
JPY : USD	59,940,153	0.0092	16,543,482	1%	165,435
JPY : NTD	602,063	0.2760	166,169	1%	1,662

(v) Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to ($1,671,581) and ($4,509,384), respectively.

ii. Equity securities

(i) Nature

The Group primarily invests in domestic and foreign publicly traded equity instruments, which are accounted for as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

(ii) Extent

If such equity instruments' price rise or fall by 1%, with all other factors held constant, the impact on equity due to investments in equity instruments measured at fair value through other comprehensive income, and investments in equity at fair value through profit or loss are $902,620 and $815,515 for the years ended December 31, 2020 and 2019, respectively.

iii. Futures

(i) Nature

The Group is exposed to commodity price risk because of future commodity price fluctuations.

(ii) Extent

The Group sets stop-loss amount to reduce its futures market risk whenever futures contracts are entered into. As a result, there is no significant futures market risk.

iv. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term loans or corporate bonds with floating rates. The Company's long-term corporate bonds with fixed interest rates do not have interest rate risk or fair value interest rate risk.

Long-term loans or corporate bonds with floating rates expose the Group to cash flow interest rate risk, but most of the risks are offset by cash and cash equivalents with variable interest rates.

(b) Credit risk

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

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments. The counterparties are banks with good credit quality and financial institutions with investment grade or above and government agencies, so there is no significant compliance concerns and credit risk.

ii. The Group assumes that if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 360 days, a default has occurred.

iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) Default or delinquency in interest or principal repayments;

(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

iv. The aging analysis of notes receivable and accounts receivable (including related parties) is as follows:

	December 31, 2020	December 31, 2019
Not past due	$ 932,168,658	$ 1,001,387,391
Up to 90 days	10,579,283	24,455,224
91 to 180 days	652,993	4,753,352
181 to 270 days	476,187	2,567,063
271 to 360 days	232,608	1,172,202
Over 361 days	5,319,436	3,505,105
	$ 949,429,165	$ 1,037,840,337

The above aging analysis is based on days overdue.

v. The Group applies the following approaches to assess the expected credit losses (ECLs) of accounts receivable:

(i) Assess the ECLs on an individual basis if a significant default has occurred to certain customers.

(ii) Classify the other customers' accounts receivable based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.

(iii) Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.

(iv) As of December 31, 2020 and 2019, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2020						
Expected loss rate	100%	0.0375%	0.0875%	0.09%~37.55%	0.06%~41.63%	
Total book value	$ 5,338,814	$ 685,428,941	$ 213,283,588	$ 32,850,225	$ 12,527,597	$ 949,429,165
Loss allowance	$ 5,338,814	$ 257,036	$ 186,623	$ 464,359	$ 697,939	$ 6,944,771

	Individual	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2019						
Expected loss rate	100%	0.03%	0.07%	0.01%~7.05%	0.02%~69.30%	
Total book value	$ 4,318,769	$ 754,159,158	$ 216,730,417	$ 23,888,891	$ 38,743,102	$ 1,037,840,337
Loss allowance	$ 4,318,769	$ 217,984	$ 145,002	$ 384,193	$ 741,347	$ 5,807,295

Group 1: Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit policies for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch's rating of BBB, Moody's rating of Baa, or rated as B or C in accordance with the Group's credit policies for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch's rating of BB + and below, or Moody's rating of Ba1 and below.

Group 4: Rated as other than A, B, or C in accordance with the Group's credit policies for those that have no external credit ratings.

vi. As of December 31, 2020 and 2019, the Group assessed the impairment loss arising from other receivable - related parties and recognized allowance for uncollectible accounts at $1,293,174 and $762,872, respectively.

vii. Movements in relation to the Group's loss allowance for accounts receivable (including related parties) is as follows:

	2020	2019
At January 1	$ 6,570,167	$ 4,748,936
Impairment loss	1,705,559	1,876,660
Effect of foreign exchange	(37,781)	(55,429)
At December 31	$ 8,237,945	$ 6,570,167

(c) Liquidity risk

i. Cash flow forecasting is performed by each operating entity of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Bonds payable	$ 42,288,000	$ 36,785,978	$ 92,510,640	$ 72,774,000	$ 244,358,618
Long-term loans	14,728,908	19,678,483	8,330,826	3,596,443	46,334,660
Lease liabilities	9,058,272	7,792,086	9,880,171	5,607,047	32,337,576
	$ 66,075,180	$ 64,256,547	$ 110,721,637	$ 81,977,490	$ 323,030,854
December 31, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Bonds payable	$ 38,546,364	$ 41,688,000	$ 96,026,436	$ 38,536,000	$ 214,796,800
Long-term loans	14,553,911	13,713,380	19,357,935	8,551,745	56,176,971
Lease liabilities	7,131,038	6,112,704	8,416,686	6,451,935	28,112,363
	$ 60,231,313	$ 61,514,084	$ 123,801,057	$ 53,539,680	$ 299,086,134

Beside those mentioned above, other non-derivative financial liabilities are to be settled within one year.

Derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Forward exchange contracts	$ 170,003	$ -	$ -	$ -	$ 170,003
Cross currency swap contracts	2,121,218	-	-	-	2,121,218
	$ 2,291,221	$ -	$ -	$ -	$ 2,291,221
December 31, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Forward exchange contracts	$ 43,180	$ -	$ -	$ -	$ 43,180
Cross currency swap contracts	1,838,505	-	-	-	1,838,505
	$ 1,881,685	$ -	$ -	$ -	$ 1,881,685

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(12).

C. Financial instruments not measured at fair value:

(a) Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortised cost (excluding bank debentures), short-term loans, notes and accounts payable, other payables and long-term loans approximate to their fair values.

	December 31, 2020			
		Fair Value		
	Book Value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 244,358,618	$ -	$ 241,667,699	$ -

	December 31, 2019			
		Fair Value		
	Book Value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 214,796,800	$ -	$ 210,235,461	$ -

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

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

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 is as follows:

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity instruments	$ 1,754,913	$ -	$ 1,433,017	$ 3,187,930
Beneficiary certificates	535,149	15	79,443,386	79,978,550
Derivatives	-	6,800,300	-	6,800,300
Financial assets at fair value through other comprehensive income				
Equity instruments	65,599,401	-	21,474,688	87,074,089
Accounts receivable expected factoring	-	109,052,508	-	109,052,508
Total	$ 67,889,463	$ 115,852,823	$ 102,351,091	$ 286,093,377
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivatives	$ -	($ 2,291,221)	$ -	($ 2,291,221)

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity instruments	$ 12,744,243	$ -	$ -	$ 12,744,243
Beneficiary certificates	639,411	268	63,546,321	64,186,000
Derivatives	-	8,682,531	-	8,682,531
Financial assets at fair value through other comprehensive income				
Equity instruments	45,226,243	-	23,580,974	68,807,217
Accounts receivable expected factoring	-	108,993,188	-	108,993,188
Total	$ 58,609,897	$ 117,675,987	$ 87,127,295	$ 263,413,179
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivatives	$ -	($ 1,881,685)	$ -	($ 1,881,685)

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

		2020		2019
At January 1	$	87,127,295	$	76,982,820
Gains and losses recognised in profit or loss		8,074,864	(	6,247,376)
Gains and losses recognised in other comprehensive income	(	353,766)	(	5,302,440)
Acquired in the period		17,915,754		22,679,505
Sold in the period	(	8,629,617)	(	87,708)
Transfer in to Level 3		1,861,689		40,196
Effect of exchange rate changes	(	3,645,128)	(	937,702)
At December 31	$	102,351,091	$	87,127,295

G. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment segment sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensures compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 874,328	Market comparable companies	Revenue multiple	0.24~20.86 (12.88)	The higher the revenue multiple, profit after tax, net value multiple amd value to EBIT multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
			Profit after tax multiple	18.07	
			Net value multiple	1.43~1.88 (1.88)	
			Discount for lack of marketability	20.00%~ 35.00% (26.09%)	
			Value to EBIT multiple	1.89~14.32 (14.32)	

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 8,021,999	Stock value in complex capital structure	Weighted average cost of capital	14.18%~ 27.28% (18.06%)	The higher the long-term revenue growth rate, long-term pre-tax operating margin, value to EBIT multiple and revenue multiple, expected equity value volatility, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and weighted average cost of capital, the lower the fair value.
			Long-term revenue growth rate	2%	
			Long-term pre-tax operating margin	25.04%~65.96% (33.76%)	
			Discount for lack of marketability	10.00%~20.00% (15.10%)	
			Discount for lack of control	10.00%~15.00% (10.39%)	
			Expected equity value volatility	39.11%~115.07% (51.76%)	
			Revenue multiple	0.24~31.81 (4.00)	
			Value to EBIT multiple	7.08	
	$ 6,047,203	Net assets value	Discount for lack of marketability	9.46%~25% (9.52%)	The higher the discount for lack of marketability and discount for lack of control, the lower the fair value.
			Discount for lack of control	5.00%~15.00% (9.26%)	
	$ 7,964,175	Recent non-active market price	Not applicable	Not applicable	Not applicable
Venture capital shares and private equity fund investment	$ 26,107,499	Net assets value	Discount for lack of marketability	9.46%~14.74% (11.79%)	The higher the discount for lack of marketability, discount for lack of control, the lower the fair value.
			Discount for lack of control	6.57%~19.95% (9.26%)	
	$ 47,528,449	Stock value in complex capital structure	Discount for lack of marketability	5%	The higher the expected equity value volatility, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
			Expected equity value volatility	21.88%	
	$ 5,807,438	Recent non-active market price	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 408,733	Market comparable companies	Revenue multiple	0.53~9.28 (2.05)	The higher the revenue multiple,value to EBIT multiple and net value multiple, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
			Profit after tax multiple	12.53~19.42 (15.73)	
			Net value multiple	1.8	
			Discount for lack of marketability	15%~35% (23.58%)	
	$ 15,026,251	Stock value in complex capital structure	Weighted average cost of capital	14.61%~15.52% (14.79%)	The higher the long-term revenue growth rate, long-term pre-tax operating margin, revenue multiple and value to EBIT multiple, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and weighted average cost of capital, the lower the fair value.
			Long-term revenue growth rate	2%	
			Long-term pre-tax operating margin	23.53%~29.72% (28.52%)	
			Discount for lack of marketability	5%~35% (18.12%)	
			Discount for lack of control	10%~15% (14.6%)	
			Expected equity value volatility	23.68%~110.82% (42.11%)	
			Revenue multiple	0.28~12.75 (2.46)	
			Value to EBIT multiple	6.7	
	$ 6,302,878	Recent non-active market price	Not applicable	Not applicable	Not applicable
Venture capital shares and private equity fund investment	$ 65,389,433	Net assets value	Discount for lack of marketability	4.49%~10% (4.85%)	The higher the discount for lack of marketability and lack of control, the lower the fair value.
			Discount for lack of control	3.97%~15% (4.62%)	

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

	Input	Change	December 31, 2020 Recognised in profit or loss Favourable change	Unfavourable change	Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets						
Equity instruments and beneficiary cereificates	Discount for lack of control and marketability	±1%	$ 811,840	($ 811,869)	$ 168,231	($ 164,527)

	Input	Change	December 31, 2019 Recognised in profit or loss Favourable change	Unfavourable change	Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets						
Equity instruments and beneficiary cereificates	Discount for lack of control and marketability	±1%	$ 688,468	($ 688,468)	$ 148,223	($ 148,057)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The Company appointed Foxconn (Far East) Limited's Mainland investee to render processing services and to trade. The transactions were eliminated in the consolidated financial statements. For significant transactions of processing services, trading, receivables and payables, endorsements and guarantees or collaterals provided, and financing, please refer to Note 13(1) A, B, G and H.

(4) Major shareholders

For the names, number and ratio of shares held by shareholders holding over 5% of the Company's shares: Please refer to Table 11.

14. SEGMENT INFORMATION

(1) General information

The Group has adopted eCMMS (E-enabled Components, Modules, Moves & Services) strategy, and provided a one-stop shop to its customers, which are primarily in the 3C industries, with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Group segregates operating segments from both a customer service and product perspective.

In accordance with IFRS No. 8, "Operating Segments", the Group has determined the operating segments and reportable operating segments. Operating segments which have met certain quantitative threshold are disclosed individually or aggregately as reportable operating segments; other segments which have not met the quantitative threshold are included in the 'all other segments'. The Group has identified the electronic manufacturing integrated services department, which provides global 3C production-related one-stop services, as a reportable operating segment.

(2) Measurement of segment information

The chief operating decision maker assesses performance and allocates resources of the operating segments based on each operating segment's revenue and operating income after adjusting the internal costs and allocated expenses. Except for the recognition of internal costs which shall be in accordance with the Group's related internal calculation basis, the operating segments' accounting policies are the same as disclosed in Note 4.

(3) Segment information

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

	Years ended December 31,	
	2020	2019
	Electronic Manufacturing Integration Service	Electronic Manufacturing Integration Service
Net external revenue	$ 5,519,321,881	$ 5,114,320,217
Revenue from internal customers	321,786,196	307,961,623
Segment revenue	$ 5,841,108,077	$ 5,422,281,840
Segment profit	$ 139,694,514	$ 151,924,612

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2020 and 2019 is provided as follows:

	Years ended December 31,	
Operating revenue	2020	2019
Total reported segment revenue	$ 5,841,108,077	$ 5,422,281,840
Other operating segment revenue	140,062,007	73,929,968
Elimination of intersegment revenue	(623,147,019)	(153,400,813)
Total corporate revenue	$ 5,358,023,065	$ 5,342,810,995

	Years ended December 31,	
Profit and loss	2020	2019
Profit of reported segment	$ 139,694,514	$ 151,924,612
Profit of other operating segments		
Elimination of intersegment transactions and internal costs and allocated expenses	10,002,197	7,120,189
adjustments	(4,224,477)	4,833,146
Profit before income tax	$ 145,472,234	$ 163,877,947

(5) Geographical information

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	$ 1,731,206,941	$ 23,037,241	$ 1,743,726,612	$ 17,469,867
Ireland	1,689,433,499	1,612	1,423,594,027	1,201
China	509,164,254	264,875,861	560,194,840	271,073,387
Singapore	370,084,875	43,967	501,088,752	7,780
Japan	223,293,804	403,507	196,914,882	399,603
Taiwan	137,320,445	52,808,106	110,917,511	49,882,132
Others	697,519,247	63,768,396	806,374,371	57,085,187
	$ 5,358,023,065	$ 404,938,690	$ 5,342,810,995	$ 395,919,157

(6) Major customer information

	Years ended December 31,	
	2020	2019
	Revenue (in million)	Revenue (in million)
Client E	$ 2,891,396	$ 2,680,870

HON HAI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019 AND 2018

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.

INDEPENDENT AUDITORS' REPORT 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, 2019 and 2018, 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 the 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, 2019 and 2018, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020" and generally accepted auditing standards in the Republic of China (R.O.C GAAS); and 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 (R.O.C GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the 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 2019. 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.

Key audit matters on the consolidated financial statements for the year ended December 31, 2019 were as follows:

Cut-off of hub sales revenue

<u>Description</u>

Refer to Note 4(35) for accounting policies on revenue recognition.

The Group recognises revenue upon acceptance of the goods by the customers (when control of the products is transferred) 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 the physical inventory the 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.

<u>How our audit addressed the matter</u>

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 period 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

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2)3 for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(7) for details of inventories. As at December 31, 2019, the Group's inventories and allowance for inventory valuation losses amounted to NT$539,619,235 thousand and NT$23,847,058 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 arising 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 time period and those 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 audit 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 by checking the related supporting documents and comparing with the 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

Refer to Note 4(28) 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(16) for details of offsetting of financial instruments. As of December 31, 2019, the financial instruments that were offset amounted to NT$1,424,606,382 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 the terms of the above agreements and confirmed whether the criteria under IAS 32, 'Financial instruments: Presentation' were met and the accounting treatment was 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.

Impairment assessment on goodwill arising from acquisition of Belkin International Inc. ("Belkin").

Description

Refer to Note 4(21) for the accounting policy on impairment assessment of goodwill, Note 5(2)2 for the accounting policy on impairment of non-financial assets, critical accounting estimates and assumptions of impairment assessment and Note 6(13) for the details of impairment loss.

As of December 31, 2019, the Group had goodwill arising from acquisition of 100% equity interest in Belkin for NT$13,563,157 thousand.

Impairment assessment was performed based on the value in use calculation using the discounted cash flow model to determine the recoverable amounts of the cash-generating unit ("CGU"). Significant judgment and estimates about the key assumptions including revenue growth rate, long-term growth rate and discount rate applied to future cash flow forecast are required and will influence the collectible amount and the impairment of goodwill significantly due to the significant judgments and inherent uncertainty. Therefore, we consider the impairment assessment on goodwill arising from acquisition of Belkin International Inc. and its subsidiaries 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. Tested the underlying calculations used in the valuation mode.

B. Involved valuation specialists to assess the reasonableness of the key assumptions, including expected growth rate and discount rate used as follows:

(a) Evaluated the assumptions used, mainly revenue growth rate and long-term growth rate within the impairment assessment by comparing them to historical results and economic and industry forecast;

(b) Benchmarked the discount rate range which is used in determining the recoverable amount against certain market data and industry research; and

(c) Performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes.

Impairment assessment of operating assets of Asia Pacific Telecom Co., and its subsidiaries

Description

Refer to Notes 4(16) and (20) for accounting policies applied to property, plant and equipment and intangible assets, Note 4(21) for accounting policies on impairment assessment of non-financial assets, Note 5(2)1 for critical accounting estimates and key sources of assumption uncertainty applied to property, plant and equipment, intangible assets and other operating assets, and Notes 6(9), (13) and (14) for details of account items.

The subsidiaries' operating assets represent a significant percentage of the Group's total assets, and the valuation of these assets is affected by the overall industry development and the Group's operations. The Group used the value in use to estimate the recoverable amount which involves management's judgements, such as the estimation of future cash flow and determination of discount rate, etc. Management's judgment mentioned above involve future years' forecast which are highly uncertain and have a material impact to the estimation of value in use. Therefore, the impairment assessment of operating assets was identified as a key audit matter.

How our audit addressed the matter

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

A. We assessed the expected future cash flows prepared by management and its decision process, compared and assessed the consistency of the expected future cash flows with operation plans.

B. We also obtained and assessed the information provided by the Group and the valuation report prepared by external professional valuers engaged by the Group.

(a) Compared the parameters used in predicting future cash flows with historical experience, economic and industrial forecasts.

(b) Compared the parameters used in determining discount rate with the assumptions on capital cost of cash generating units, and with returns rate on similar assets.

(c) Verified the valuation model calculation.

(d) Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed whether management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

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 consolidated financial statements relative to these consolidated subsidiaries was based solely on the reports of other independent accountants. Total assets of those consolidated subsidiaries amounted to NT$208,374,823 thousand and NT$271,749,166 thousand, constituting 6.27% and 8.04% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total operating revenues amounted to NT$458,130,373 thousand and NT$458,975,381 thousand, constituting 8.57% and 8.67% 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, 2019 and 2018.

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   Chou, Chien-Hung

for and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2020

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.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 857,864,362	26	$ 788,662,325	23
1110	Financial assets at fair value through profit or loss - current	6(2)	2,952,049	-	5,016,365	-
1136	Financial assets at amortised cost, net - current	6(4) and 8	52,954,877	1	78,944,139	2
1170	Accounts receivable, net	6(5)	987,278,438	30	1,009,364,152	30
1180	Accounts receivable - related parties	7	44,754,604	1	48,172,268	1
1200	Other receivables	6(6)	67,854,299	2	73,996,367	2
1210	Other receivables - related parties	7	24,366,543	1	57,705,076	2
130X	Inventory	6(7)	515,772,177	15	625,025,794	19
1410	Prepayments	7	19,895,574	1	19,596,260	1
11XX	**Total current assets**		2,573,692,923	77	2,706,482,746	80
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	82,660,725	3	74,887,490	2
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	68,807,217	2	66,634,395	2
1535	Financial assets at amortised cost, net - non-current	6(4) and 8	12,528,569	-	16,240,740	1
1550	Investments accounted for under equity method	6(8)	168,631,642	5	160,316,664	5
1600	Property, plant and equipment	6(9) and 8	287,523,253	9	277,860,012	8
1755	Right-of-use assets	6(10) and 7	46,760,340	1	-	-
1760	Investment property - net	6(12)	4,419,912	-	2,523,963	-
1780	Intangible assets	6(13)	41,380,353	1	30,357,025	1
1840	Deferred income tax assets	6(36)	18,701,465	1	16,229,304	-
1900	Other non-current assets	6(14) and 8	15,835,299	1	29,823,088	1
15XX	**Total non-current assets**		747,248,775	23	674,872,681	20
1XXX	**Total assets**		$ 3,320,941,698	100	$ 3,381,355,427	100

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(16)	$ 380,866,050	11	$ 532,315,377	16
2110	Short-term notes and bills payable	6(15)	30,528,296	1	19,283,228	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,881,685	-	651,426	-
2170	Accounts payable		870,678,994	26	905,682,505	27
2180	Accounts payable - related parties	7	35,509,127	1	42,340,749	1
2200	Other payables	6(17) and 7	217,732,729	7	228,985,231	7
2230	Current tax liabilities	6(36)	18,531,289	1	36,400,157	1
2250	Provisions for liabilities - current	6(24)	2,725,293	-	5,652,147	-
2280	Current lease liabilities	7	7,131,038	-	-	-
2300	Other current liabilities	6(18)	91,876,860	3	38,550,736	1
21XX	**Total current liabilities**		1,657,461,361	50	1,809,861,556	54
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	6(2)	-	-	22,835	-
2530	Corporate bonds payable	6(19)	175,505,344	5	178,794,577	5
2540	Long-term loans	6(20)	41,576,252	1	36,483,791	1
2550	Provisions for liabilities - non-current	6(24)	369,953	-	-	-
2570	Deferred income tax liabilities	6(36)	18,261,509	1	14,649,508	1
2580	Non-current lease liabilities	7	20,875,343	1	-	-
2600	Other non-current liabilities	6(23)	7,266,519	-	9,109,272	-
25XX	**Total non-current liabilities**		263,854,920	8	239,059,983	7
2XXX	**Total liabilities**		1,921,316,281	58	2,048,921,539	61
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(25)				
3110	Share capital - common stock		138,629,906	4	138,629,906	4
	Capital reserve	6(26)				
3200	Capital surplus		199,383,371	6	190,018,456	6
	Retained earnings	6(27)				
3310	Legal reserve		149,512,874	4	136,606,364	4
3320	Special reserve		60,309,927	2	27,539,310	1
3350	Unappropriated retained earnings		794,615,182	24	779,409,554	23
	Other equity interest	6(28)				
3400	Other equity interest		(102,451,720)	(3)	(60,309,927)	(2)
3500	Treasury stocks	6(25)	(15,194)	-	(15,194)	-
31XX	**Equity attributable to owners of the parent**		1,239,984,346	37	1,211,878,469	36
36XX	Non-controlling interest	6(29)	159,641,071	5	120,555,419	3
3XXX	**Total equity**		1,399,625,417	42	1,332,433,888	39
	Commitments and Contingent Liabilities	9				
	Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 3,320,941,698	100	$ 3,381,355,427	100

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
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	Operating revenue	6(30) and 7	$ 5,342,810,995	100	$ 5,293,803,022	100
5000	Operating costs	6(7)(33)(34) and 7	(5,026,942,570)	(94)	(4,961,773,118)	(94)
5900	Net operating margin		315,868,425	6	332,029,904	6
	Operating expenses	6(33)(34)				
6100	Selling expenses		(30,129,101)	(1)	(32,690,093)	(1)
6200	General and administrative expenses	12(2)	(79,294,289)	(1)	(78,762,853)	(1)
6300	Research and development expenses		(91,548,149)	(2)	(84,430,083)	(2)
6000	Total operating expenses		(200,971,539)	(4)	(195,883,029)	(4)
6900	Operating profit		114,896,886	2	136,146,875	2
	Non-operating income and expenses					
7010	Other income	6(31)	90,380,254	2	74,415,499	2
7020	Other gains and losses	6(32)	5,567,450	-	(997,809)	-
7050	Finance costs	6(35)	(66,600,696)	(1)	(55,544,836)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	19,634,053	-	16,231,713	-
7000	Total non-operating inocme and expenses		48,981,061	1	34,104,567	1
7900	**Profit before income tax**		163,877,947	3	170,251,442	3
7950	Income tax expense	6(36)	(31,692,859)	-	(40,416,017)	-
8200	**Profit for the year**		$ 132,185,088	3	$ 129,835,425	3

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
	Other comprehensive income					
	Components of other comprehensive income that will not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(21)	($ 7,404)	-	$ 217,476	-
8316	Unrealised gain (loss) on valuation of financial assets at fair value through other comprehensive income	6(3)(28)(29)	4,720,616	-	(4,687,419)	-
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(28)	3,028,377	-	(12,700,347)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	1,481	-	(43,495)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		7,743,070	-	(17,213,785)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(28)(29)	(51,266,536)	(1)	(11,603,077)	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(28)	(1,096,843)	-	(121,619)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(52,363,379)	(1)	(11,724,696)	-
8300	**Other comprehensive loss for the year**		($ 44,620,309)	(1)	($ 28,938,481)	(1)
8500	**Total comprehensive income for the year**		$ 87,564,779	2	$ 100,896,944	2
	Profit attributable to:					
8610	Owners of the parent		$ 115,308,736	3	$ 129,065,105	3
8620	Non-controlling interest		16,876,352	-	770,320	-
			$ 132,185,088	3	$ 129,835,425	3
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 74,706,141	2	$ 103,120,437	2
8720	Non-controlling interest		12,858,638	-	(2,223,493)	-
			$ 87,564,779	2	$ 100,896,944	2
	Earnings per share (in dollars)	6(37)				
9750	Basic earnings per share		$ 8.32		$ 8.03	
9850	Diluted earnings per share		$ 8.24		$ 7.95	

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
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent											
				Retained Earnings			Other equity interest						
	Notes	Share capital - common stock	Total capital reserve, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Amount
Year ended December 31, 2018													
Balance at January 1, 2018		$ 173,287,383	$ 97,872,884	$ 122,732,924	$ -	$ 717,885,835	($ 56,320,437)	$ -	$ 28,781,127	($ 18,901)	$ 1,084,220,815	$ 87,571,640	$ 1,171,792,455
Effects of retrospective application and retrospective restatement		-	-	-	-	7,309,666	-	23,174,353	(28,781,127)	-	1,702,892	(297,228)	1,405,664
Balance at January 1 after adjustments		173,287,383	97,872,884	122,732,924	-	725,195,501	(56,320,437)	23,174,353	-	(18,901)	1,085,923,707	87,274,412	1,173,198,119
Consolidated net income		-	-	-	-	129,065,105	-	-	-	-	129,065,105	770,320	129,835,425
Other comprehensive income (loss)	6(28)	-	-	-	-	173,981	(9,078,746)	(17,039,903)	-	-	(25,944,668)	(2,993,813)	(28,938,481)
Total comprehensive income (loss)		-	-	-	-	129,239,086	(9,078,746)	(17,039,903)	-	-	103,120,437	(2,223,493)	100,896,944
Appropriations of 2017 earnings:	6(27)												
Legal reserve		-	-	13,873,440	-	(13,873,440)	-	-	-	-	-	-	-
Special reserve		-	-	-	27,539,310	(27,539,310)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(34,657,477)	-	-	-	-	(34,657,477)	-	(34,657,477)
Capital reduction by cash	6(25)	(34,657,477)	-	-	-	-	-	-	-	3,707	(34,653,770)	-	(34,653,770)
Changes in equity of associates and joint ventures accounted for under the equity method	6(26)	-	6,572,078	-	-	-	-	-	-	-	6,572,078	-	6,572,078
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	85,573,494	-	-	-	-	-	-	-	85,573,494	251,608	85,825,102
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	-	-	35,252,892	35,252,892
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	1,045,194	-	(1,045,194)	-	-	-	-	-
Balance at December 31, 2018		$ 138,629,906	$ 190,018,456	$ 136,606,364	$ 27,539,310	$ 779,409,554	($ 65,399,183)	$ 5,089,256	$ -	($ 15,194)	$ 1,211,878,469	$ 120,555,419	$ 1,332,433,888
Year ended December 31, 2019													
Balance at January 1, 2019		$ 138,629,906	$ 190,018,456	$ 136,606,364	$ 27,539,310	$ 779,409,554	($ 65,399,183)	$ 5,089,256	$ -	($ 15,194)	$ 1,211,878,469	$ 120,555,419	$ 1,332,433,888
Consolidated net income		-	-	-	-	115,308,736	-	-	-	-	115,308,736	16,876,352	132,185,088
Other comprehensive income (loss)	6(28)	-	-	-	-	(5,923)	(48,490,283)	7,893,611	-	-	(40,602,595)	(4,017,714)	(44,620,309)
Total comprehensive income (loss)		-	-	-	-	115,302,813	(48,490,283)	7,893,611	-	-	74,706,141	12,858,638	87,564,779
Appropriations of 2018 earnings:	6(27)												
Legal reserve		-	-	12,906,510	-	(12,906,510)	-	-	-	-	-	-	-
Special reserve		-	-	-	32,770,617	(32,770,617)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(55,451,962)	-	-	-	-	(55,451,962)	-	(55,451,962)
Changes in equity of associates and joint ventures accounted for under the equity method	6(26)	-	(950,756)	-	-	(513,217)	-	-	-	-	(1,463,973)	-	(1,463,973)
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	10,315,671	-	-	-	-	-	-	-	10,315,671	-	10,315,671
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	-	-	26,227,014	26,227,014
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	1,545,121	-	(1,545,121)	-	-	-	-	-
Balance at December 31, 2019		$ 138,629,906	$ 199,383,371	$ 149,512,874	$ 60,309,927	$ 794,615,182	($ 113,889,466)	$ 11,437,746	$ -	($ 15,194)	$ 1,239,984,346	$ 159,641,071	$ 1,399,625,417

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, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 163,877,947	$ 170,251,442
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(33)	65,144,046	58,210,706
Amortisation	6(33)	1,864,811	1,715,151
Cost of share-based payments	6(34)	3,831,801	-
Expected credit losses	12(2)	1,876,660	195,147
Impairment loss	6(32)	391,323	5,124,948
Loss on disposal of property, plant and equipment, net	6(32)	837,950	824,918
Gain on financial assets or liabilities at fair value through profit or loss, net	6(32)	(10,996,109)	(12,202,000)
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(19,634,053)	(16,231,713)
Gain on disposal of investments	6(32)	(1,869,967)	(1,666,502)
Interest expense	6(35)	66,108,704	54,978,871
Interest income	6(31)	(75,819,336)	(60,400,627)
Dividend income	6(31)	(6,423,484)	(3,543,981)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		7,762,176	(2,011,528)
Notes receivable		536,036	(302,417)
Accounts receivable		22,456,556	143,814,705
Accounts receivable due from related parties		3,418,255	31,879,664
Other receivables		5,878,317	2,888,426
Inventories		110,599,948	(58,738,438)
Prepayments		(299,314)	731,851
Changes in operating liabilities			
Accounts payable		(36,285,069)	(220,012,620)
Accounts payable to related parties		(6,831,622)	(54,974,370)
Other payables		(12,493,588)	(37,530,727)
Provisions for liabilities		(2,556,901)	855,649
Other current liabilities		11,543,240	(1,747,794)
Accrued pension liabilities		(179,233)	(123,752)
Cash inflow generated from operations		292,739,094	1,985,009
Income taxes paid		(44,721,356)	(42,141,231)
Net cash flows from (used in) operating activities		248,017,738	(40,156,222)

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(39)	($ 77,521,451)	($ 65,532,812)
Proceeds from disposal of property, plant and equipment	6(39)	6,569,952	27,883,428
Acquisition of financial assets at fair value through profit or loss		(22,036,448)	(4,405,425)
Net cash flow from acquisition of subsidiaries	6(38)	(3,989,043)	(26,112,000)
Proceeds from disposal of financial assets at fair value through profit or loss		20,768,886	112,953
Acquisition of financial assets at fair value through other comprehensive income		(1,264,282)	(7,514,778)
Proceeds from disposal of financial assets at fair value through other comprehensive income		2,845,909	2,794,477
Proceeds from disposal of financial assets at amortised cost-current		25,989,262	55,580,447
Acquisition of financial assets at amortised cost-non-current		-	(14,312,960)
Proceeds from repayments of financial assets at amortised cost		1,369,020	1,379,850
Other receivable due from related parties		30,049,126	44,992,310
Acquisition of investments accounted for using equity method	6(8)	(1,243,716)	(3,937,967)
Increase in other prepayment		-	241,377
Interest received		76,563,195	54,451,751
Dividends received		11,228,694	6,290,869
Acquisition of right-of-use assets		(469,473)	-
Acquisition of intangible assets		(21,271)	-
Decrease (increase) in other non-current assets		2,036,918	(167,081)
Other investing activities		(290,947)	(312,983)
Net cash flows from investing activities		70,584,331	71,431,456
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans	6(39)	(153,984,671)	113,480,231
Increase in short-term notes and bills payable	6(39)	10,538,810	8,340,928
Proceeds from issuing bonds	6(39)	36,770,000	19,500,000
Repayments of bonds	6(39)	(11,000,000)	(38,617,729)
Proceeds from long-term debt	6(39)	21,128,785	17,585,680
Repayments of long-term debt	6(39)	(1,068,637)	(7,440,627)
(Decrease) increase in other non-current liabilities		(626,579)	645,671
Payment of lease liabilities		(4,712,236)	-
Changes in non-controlling interests	6(29)	3,091,260	251,608
Interest paid		(62,779,924)	(48,346,530)
Cash received from investment of non-controlling interests	6(29)	-	122,882,261
Cash dividends paid	6(27)	(55,451,962)	(34,657,477)
Capital reduction payments to shareholders	6(25)	-	(34,653,770)
Net cash flows (used in) from financing activities		(218,095,154)	118,970,246
Net effect of changes in foreign currency exchange rates		(31,304,878)	(4,079,214)
Net increase in cash and cash equivalents		69,202,037	146,166,266
Cash and cash equivalents at beginning of year		788,662,325	642,496,059
Cash and cash equivalents at end of year		$ 857,864,362	$ 788,662,325

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

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

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

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

A. IFRS 16, 'Leases'

(a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$22,746,167, and increased 'lease liability' by \$22,746,167 as of January 1, 2019. For the land use right obtained in China, the 'right-of-use asset' increased by \$21,316,883 and other non-current assets decreased by \$21,316,883 as of January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$733,461 was recognised for the year ended December 31, 2019.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.6680% to 4.90%.

(e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	26,367,551
Less: Short-term leases	(	2,319,203)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		24,048,348
Incremental borrowing interest rate at the date of initial application		0.892%~5.41%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	22,746,167

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Hon Hai Precision Industry Co., Ltd.	Foxconn (Far East) Limited and subsidiaries	Investment holdings in companies in Mainland China, Hong Kong, Europe and America primarily engaged in manufacturing, sale, research and development of computer cases, connectors and computer components	100	100	(c) (d) (e)
"	Foxconn Holding Ltd. and subsidiaries	Investment holdings in hi-tech companies in Asia-Pacific and America	100	100	
"	Hyield Venture Capital Co., Ltd. and subsidiaries	Venture capital investments in companies primarily engaged in manufacturing of automobile wires/ electronic devices and electronic components, and services of planning, advisory and business management	100	100	
"	Bao Shin International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	
"	Hon Yuan International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Hon Hai Precision Industry Co., Ltd.	Hon Chi International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in software and electronic information application services, and manufacturing and sale of machinery and equipment	100	100	
"	Lin Yih International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing electronic components	100	100	
"	Hon Hai/ Foxconn Logistics California LLC.	Logistics services in America	100	100	
"	Hon Hai/ Foxconn Logistics Texas LLC.	Logistics services in America	100	100	
"	Ambit International Ltd. and subsidiaries	Investment holdings in companies in Mainland China primarily engaged in manufacturing and sale of power supply modules, application modules and network cables assemblies	100	100	
"	Foxconn Singapore (Pte) Ltd. and subsidiaries	Asia-Pacific sales company and development of educational technology	100	100	
"	Foxconn International Inc.	Patent applications in America	100	100	
"	Altus Technology Inc.	Leasing services	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Hon Hai Precision Industry Co., Ltd.	Premier Image Technology -Hong Kong Limited and subsidiaries	Investment holdings in companies in Mainland China, primarily engaged in manufacturing and trading of portable cameras	99.96	99.96	
"	Foxconn SA B.V. and subsidiaries	Investment holdings in Russian domestic sales companies	100	100	
"	Margini Holdings Limited and subsidiaries	Investment holdings in Vietnam export processing and construction services companies and Brazil domestic sales companies	100	100	
"	Jin Ji City Trading Co., Ltd. -Hong Kong	Investment holdings and reinvestment in businesses relating to robots, automatic equipment, moulds, parts, accessories and corresponding services	100	100	
"	Foxconn Holdings - Netherlands and subsidiaries	Investment holdings in companies in Europe	100	100	
"	Syntrend Creative Park Co., Ltd.	Retail of office machinery and equipment and electronic appliances, and information/software services	74.80	74.80	
"	Perobot Co., Ltd.	Sale, software development, repair services, after-sale services and rental services of robots	100	100	
"	ECMMS Precision Singapore Pte. Ltd.	Manufacturing and sales of computers and data processing equipment	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Hon Hai Precision Industry Co., Ltd.	Fenix Brazilfenix Industria De Electronicos Ltda.	Manufacturing WIFI cards and modules	100	100	(a)
"	Foxconn MOEBG Industria De Eletronicos Ltda.-Brazil	CFTV, DVR, bluetooth module, set-top box and optical network terminal	100	100	(b)
"	Asia Pacific Telecom Co., Ltd.	Concession of telecom industry, storage of data and manufacturing of wire or wireless communication, installation of computer and satellite TV channels and telecom-related business, and providing 3rd-Generation of mobile phone services.	41	20	(f)

(a) The Company acquired 99.47% equity interest in Fenix Brazilfenix Industria De Electronicos Ltda. from its subsidiary, Bright Ever Holdings Limited, due to reorganization on June 4, 2018.

(b) The Company acquired 99.99% equity interest in Foxconn MOEBG Industria De Eletronicos Ltda.-Brazil from its subsidiary, Fentonbury Corporation-B.V.I., due to reorganization on July 1, 2018.

(c) The Company acquired 100% equity interest in Belkin International, Inc. on September 20, 2018, and was included in the consolidated financial statements since the acquisition date.

(d) The Company disposed 100% shares of its subsidiary, Champ Tech Optical (Foshan) Corporation, to Fuzhun Precision Industry (Shenzhen) Co., Ltd. and FuYu Precision Components (Kunshan) Co., Ltd., subsidiaries of Foxconn Technology Co., Ltd. on December 1, 2018. Accordingly, it was excluded from the consolidated financial statements since the disposal date.

(e) The Company acquired 100% equity interest in Mingyang Realty Development (Kunshan) CO., Ltd. and Tuozhan Property Development Co., Ltd. on April 12, 2019 and May 9, 2019, respectively and were included in the consolidated financial statements since acquisition date.

(f) The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the “Asia

Pacific") with $10,000,000 on November 21, 2019. After acquisition, the Group owned 40.74% interest of Asia Pacific which represented the largest portion of the voting right of its shareholders and is able to direct its relevant activities. Accordingly, the Group has control over Asia Pacific and included it as a subsidiary in the consolidated financial statements since the acquisition date.

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

		Non-controlling interest				
	Principal	December 31, 2019		December 31, 2018		
Name of subsidiary	place of business	Amount	Ownership %	Amount	Ownership %	Description
FIH Mobile Limited	Cayman	$ 23,939,629	38%	$ 29,371,063	38%	
Foxconn Ventures Pte. Ltd.	Singapore	20,563,572	46%	18,557,834	46%	
Foxconn Interconnect Technology Limited	Cayman	15,271,092	23%	13,893,410	23%	
Foxconn Industrial Internet Co., Ltd.	China	61,422,746	16%	49,781,157	15%	
Asia Pacific Telecom Co., Ltd.	Taiwan	22,642,298	59%	$ 111,603,464		
		$ 143,839,337				

Summarised financial information of the subsidiary:

Balance sheets

	FIH Mobile Limited	
	December 31, 2019	December 31, 2018
Current assets	$ 171,075,653	234,003,607
Non-current assets	38,859,935	39,538,459
Current liabilities	(145,825,230)	(206,437,212)
Non-current liabilities	(1,134,435)	(1,048,205)
Total net assets	$ 62,975,923	$ 66,056,649

	Foxconn Interconnect Technology Limited	
	December 31, 2019	December 31, 2018
Current assets	$ 82,202,432	84,566,323
Non-current assets	49,920,298	47,829,013
Current liabilities	(49,832,096)	(69,706,322)
Non-current liabilities	(20,011,770)	(2,867,098)
Total net assets	$ 62,278,864	$ 59,821,916

	Foxconn Ventures Pte. Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 15,515,189	$ 2,507,538
Non-current assets	30,975,076	38,310,019
Current liabilities	(1,295,604)	(31,109)
Total net assets	$ 45,194,661	$ 40,786,448

	Foxconn Industrial Internet Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 845,699,832	852,941,696
Non-current assets	54,267,529	47,323,825
Current liabilities	(503,806,489)	(571,155,028)
Non-current liabilities	(9,099,406)	(1,370,788)
Total net assets	$ 387,061,466	$ 327,739,705

	Asia Pacific Telecom Co., Ltd.
	December 31, 2019
Current assets	$ 10,939,105
Non-current assets	34,811,852
Current liabilities	(7,319,667)
Non-current liabilities	(2,675,397)
Total net assets	$ 35,755,893

Statements of comprehensive income

	FIH Mobile Limited	
	For the year ended December 31,	
	2019	2018
Revenue and other operating revenue	$ 461,221,823	$ 463,933,028
Loss for the year from continuing operations	(376,436)	(25,842,015)
Other comprehensive loss, net of tax	(1,097,822)	(5,603,045)
Total comprehensive loss for the year	($ 1,474,258)	($ 31,445,060)
Comprehensive loss attributable to non-controlling interest	($ 538,832)	($ 11,956,816)
Dividends paid to non-controlling interest	$ -	$ -

	Foxconn Interconnect Technology Limited	
	For the year ended December 31,	
	2019	2018
Revenue and other operating revenue	$ 135,150,328	$ 119,074,091
Profit for the year from continuing operations	7,211,148	7,015,115
Other comprehensive loss, net of tax	(1,050,538)	(2,762,011)
Total comprehensive income for the year	$ 6,160,610	$ 4,253,104
Comprehensive income attributable to non-controlling interest	$ 1,505,152	$ 973,790
Dividends paid to non-controlling interest	$ 743,712	$ 325,782

	Foxconn Ventures Pte. Ltd.	
	For the year ended December 31,	
	2019	2018
Revenue and other operating revenue	$ -	$ -
Income (loss) for the year from continuing operations	5,877,261	(3,064,605)
Other comprehensive (loss) income, net of tax	(404,102)	706,077
Total comprehensive income (loss) for the year	$ 5,473,159	($ 2,358,528)
Comprehensive income (loss) attributable to non-controlling interest	$ 2,490,287	($ 1,132,601)
Dividends paid to non-controlling interest	$ -	$ -

	Foxconn Industrial Internet Co., Ltd.	
	For the year ended December 31,	
	2019	2018
Revenue and other operating revenue	$ 1,827,674,405	$ 1,891,718,437
Profit for the year from continuing operations	81,619,395	77,453,571
Other comprehensive income, net of tax	6,490	637,211
Total comprehensive income for the year	$ 81,625,885	$ 78,090,782
Comprehensive income attributable to non-controlling interest	$ 12,910,527	$ 12,672,618
Dividends paid to non-controlling interest	$ 1,749,477	$ -

	Asia Pacific Telecom Co., Ltd.
	For the year ended December 31,
	2019
Revenue and other operating revenue	$ 14,246,066
Loss for the year from continuing operations	(5,161,873)
Other comprehensive income, net of tax	3,847
Total comprehensive loss for the year	($ 5,158,026)
Comprehensive loss attributable to non-controlling interest	($ 334,301)
Dividends paid to non-controlling interest	$ -

Statements of cash flows

	FIH Mobile Limited	
	For the year ended December 31,	
	2019	2018
Net cash used in operating activities	($ 14,065,132)	($ 24,546,020)
Net cash provided by (used in) investing activities	44,638,058	(11,426,760)
Net cash (used in) provided by financing activities	(26,919,766)	21,209,530
Effect of exchange rates on cash and cash equivalents	263,137	(2,161,031)
Increase (decrease) in cash and cash equivalents	3,916,297	(16,924,281)
Cash and cash equivalents, beginning of year	43,847,968	58,011,216
Cash and cash equivalents, end of year	$ 47,764,265	$ 41,086,935

	Foxconn Interconnect Technology Limited	
	For the year ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 9,676,066	$ 21,012,017
Net cash used in investing activities	(12,899,454)	(28,555,969)
Net cash (used in) provided by financing activities	(1,992,366)	17,327,718
Effect of exchange rates on cash and cash equivalents	(122,805)	(821,076)
(Decrease) increase in cash and cash equivalents	(5,338,559)	8,962,690
Cash and cash equivalents, beginning of year	32,913,710	23,078,686
Cash and cash equivalents, end of year	$ 27,575,151	$ 32,041,376

	Foxconn Ventures Pte. Ltd.	
	For the year ended December 31,	
	2019	2018
Net cash provided by (used in) operating activities	$ 182,644	($ 6,342)
Net cash provided by (used in) investing activities	13,350,706	(7,097,509)
Net cash provided by financing activities	-	-
Increase (decrease) in cash and cash equivalents	13,533,350	(7,103,851)
Cash and cash equivalents, beginning of year	2,456,128	9,559,979
Cash and cash equivalents, end of year	$ 15,989,478	$ 2,456,128

	Foxconn Industrial Internet Co., Ltd.	
	For the year ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 28,820,961	$ 100,316,869
Net cash used in investing activities	(12,611,175)	(6,237,364)
Net cash provided by financing activities	12,173,675	113,441,827
Effect of exchange rates on cash and cash equivalents	433,356	1,941,857
Increase in cash and cash equivalents	28,816,817	209,463,189
Cash and cash equivalents, beginning of year	269,144,472	64,666,331
Cash and cash equivalents, end of year	$ 297,961,289	$ 274,129,520

	Asia Pacific Telecom Co., Ltd.
	For the year ended December 31,
	2019
Net cash provided by operating activities	$ 1,486,927
Net cash used in investing activities	(3,954,550)
Net cash provided by financing activities	9,669,716
Effect of exchange rates on cash and cash equivalents	(49)
Increase in cash and cash equivalents	7,202,044
Cash and cash equivalents, beginning of year	1,002,049
Cash and cash equivalents, end of year	$ 8,204,093

(4) Foreign currency translation

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

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation of an associate is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settle within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

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

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

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as dividends income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

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

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

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

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

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

(10) Accounts and notes receivable

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

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

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Group has not retained control of the financial asset.

(13) Leasing arrangement (lessor) – Lease receivable / Operating lease

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

(14) Inventories

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

(15) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

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

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Buildings	5 ~ 51 years
(Auxiliary buildings	6 ~ 11 years)
Machinery and equipment	3 ～ 9 years

Computer and communication equipment	3 ～ 25 years
Other equipment	1 ～ 25 years

(17) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Leased assets/ operating leases (lessee)

Prior to 2019

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(19) Investment property

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

(20) Intangible assets

A. Certain trademarks are stated at cost and regarded as having an indefinite useful life as they were expected to generate continuous net cash inflow in the foreseeable future. For the trademarks with indefinite useful life are not amortised, but are tested annually for impairment.

B. Goodwill is generated by adopting the acquisition method when merger and acquisition occurs.

C. Patent is amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

D. Customer relationship and developed technologies are amortised on a straight-line basis over its estimated life of 12 years and 2 to 7 years, respectively.

E. Concession obtained individually is stated initially at its costs and is amortised on a straight-line basis over its useful life as follows:

(a) The concession of the mobile broadband spectrum (4G) 700MHz frequency group started form December 2014 and is amortised until 2030. The useful life of the concession is 16 years.

(b) The concession of the mobile broadband spectrum (4G) 2600MHz frequency group started form October 2017 and is amortised until 2033. The useful life of the concession is 16 years.

(c) The Group obtained the concession of the mobile broadband spectrum (4G) 700MHz frequency group in December 2015 and is amortised until 2030. The useful life of the concession is 15 years.

(d) The Group obtained the concession of the mobile broadband spectrum (4G) 900MHz frequency group in December 2015 and is amortised until 2030. The useful life of the concession is 15 years.

(21) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amount of goodwill shall be evaluated annually. An impairment is recognised when recoverable amount is lower than carrying amount. Impairment loss should not be reversed in the future.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(23) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(25) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(26) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds or are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(27) Derecognition of financial liabilities

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

(28) Offsetting financial instruments

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

(29) Non-hedging and embedded derivatives

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

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(30) Provisions

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

(31) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

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

(32) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(33) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

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

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

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

(34) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(35) Revenue recognition

A. The Group manufactures and sells consumer electronics products. Sales are recognised when control of the products has transferred, being when the products are delivered to or picked by the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The Group renders telecommunication service. Service revenue is measured by the fair value of the consideration received or receivable taking into account business tax and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. The main methods of revenue recognition are as follows:

(a) The communication charges of fixed network and mobile services, as well as the connection charges among telecom operators, are recognised on the basis of the contract terms, which are calculated by predetermined rates and the actual usage volume.

(b) Fixed monthly service fees are recognised monthly.

(c) Prepaid card revenue is recognised on the basis of the actual usage volume by the customers.

C. The Group recognises an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a telecommunication contract if the Group expects to recover those costs. The recognised asset is amortised and consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognises an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognised as expenses.

D. Sales revenue is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The contract cost does not include a significant financing component as the sales are made with credit term consistent with market practice.

E. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

F. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

G. The customer pays at the time specified in the payment schedule. If the products sold exceed the payment, a contract asset is recognised. If the payments exceed the products sold, a contract liability is recognised

(36) Government grants

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

(37) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(38) Operating segments

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

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY

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

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

A. Revenue recognition

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

Indicators that the Group controls the good or service before it is provided to a customer include the following:

(a) The Group is primarily responsible for the provision of goods or services;

(b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Group has discretion in establishing prices for the goods or services.

B. Offsetting financial instruments

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

(2) Critical accounting estimates and assumptions

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

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause adjustments on impairment of assets.

B. Impairment assessment of goodwill

The Group assesses impairment of goodwill based on subjective judgment which includes identifying and allocating assets, liabilities and goodwill to related cash-generating unit to determine recoverable amount of this unit. Details of impairment assessment of goodwill is provided in Note 6(13).

As of December 31, 2019, the Group recognised goodwill after impairment assessment of $15,406,541.

C. Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $515,772,177.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019		December 31, 2018	
Cash on hand and revolving funds	$	216,905	$	185,571
Checking accounts and demand deposits		649,335,476		551,658,148
Cash equivalents - Time deposits		208,182,131		219,237,512
Cash equivalents - Repo bonds		129,850		17,581,094
	$	857,864,362	$	788,662,325

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

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

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

	December 31, 2019		December 31, 2018	
Assets				
Current items:				
Beneficiary certificates	$	639,679	$	1,993,557
Derivatives		2,312,370		3,022,808
	$	2,952,049	$	5,016,365
Non-current items:				
Equity instruments	$	12,744,243	$	22,084,880
Beneficiary certificates		63,546,321		50,865,667
Derivatives		6,370,161		1,936,943
	$	82,660,725	$	74,887,490

Liabilities	December 31, 2019		December 31, 2018	
Current items:				
Derivatives	($	1,881,685)	($	651,426)
Non-current items:				
Derivatives	$	-	($	22,835)

A. The descriptions of financial assets and liabilities at fair value through profit or loss are as follows:

(a) Equity instruments: Includes listed, unlisted and emerging stocks.

(b) Beneficiary certificates: Includes investment in open-end funds and private equity fund.

(c) Derivatives: Includes cross currency swap contracts, forward exchange contracts, convertible bonds payable and put options.

B. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	For the year ended December 31	
	2019	2018
Equity instruments	9,373,702	($ 8,747,144)
Beneficiary certificates	(4,720,893)	5,580,497
Derivatives	6,343,300	15,368,647
	$ 10,996,109	$ 12,202,000

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

	December 31, 2019		
Derivative Financial Assets	Contract amount (Nominal Principal in thousands)		Contract period
Current items:			
Cross currency swap contracts	JPY (BUY)	27,500,000	2019.12.23~2020.03.26
	TWD (SELL)	7,584,500	2019.12.23~2020.03.26
Foreign exchange forward contracts	EUR (BUY)	128,000	2019.12.11~2020.03.18
	CZK (BUY)	5,766,370	2019.11.05~2020.02.18
	MXN (BUY)	3,803,496	2019.10.22~2020.02.27
	RMB (BUY)	43,373,233	2019.10.23~2020.05.28
	TWD (BUY)	47,466,350	2019.11.11~2020.04.01
	USD (SELL)	8,323,670	2019.10.22~2020.05.28
Capital guarantee financial	USD	56,000	2019.11.29~2020.12.10
Non-current items:			
Convertible contracts	USD	30,000	2016.12.19~2021.12.15
Cross currency swap contracts	USD (BUY)	1,000,000	2016.09.13~2026.09.18
	JPY (SELL)	102,619,000	2016.09.13~2026.09.18
Derivative Financial Liabilities			
Current items:			
Cross currency swap contracts	USD(BUY)	1,700,000	2019.09.09~2020.05.29
	JPY(BUY)	141,250,000	2019.11.19~2020.06.30
	TWD(SELL)	92,004,305	2019.09.09~2020.06.30
Foreign exchange forward contracts	USD (BUY)	90,473	2019.05.24~2020.03.30
	RMB (BUY)	1,316,383	2019.12.18~2020.04.10
	MXN (SELL)	467,519	2019.05.24~2020.03.30
	USD (SELL)	188,000	2019.12.18~2020.04.10
	HKD (SELL)	475,569	2019.12.11~2020.03.02
	AUD (SELL)	9,000	2019.12.11~2020.01.13

	December 31, 2018		
Derivative Financial Assets	Contract amount (Nominal Principal in thousands)		Contract period
Current items:			
Cross currency swap contracts	USD (BUY)	2,500,000	2018.07.25~2019.03.29
	JPY (BUY)	144,950,000	2018.11.05~2019.06.28
	TWD (SELL)	116,209,925	2018.07.25~2019.06.28
Foreign exchange forward contracts	USD (BUY)	1,783,486	2018.08.17~2019.04.18
	RMB (BUY)	1,106,856	2018.12.20~2019.06.24
	CZK (BUY)	5,932,515	2018.11.13~2019.01.15
	JPY (BUY)	193,462,105	2018.12.05~2019.01.18
	MXN (BUY)	2,013,720	2018.11.14~2019.02.15
	TWD (SELL)	47,769,213	2018.10.15~2019.04.18
	USD (SELL)	2,237,343	2018.11.13~2019.06.24
	INR (SELL)	10,505,980	2018.12.20~2019.03.05
	BRL (SELL)	239,611	2018.12.21~2019.01.18
	MXN (SELL)	136,976	2018.08.17~2019.02.28
Non-current items:			
Convertible contract	USD	30,000	2016.12.19~2021.12.15
Cross currency swap contracts	USD (BUY)	1,000,000	2016.09.13~2026.09.24
	JPY (SELL)	102,619,000	2016.09.13~2026.09.24
Derivative Financial Liabilities			
Current items:			
Cross currency swap contracts	USD (BUY)	3,592,297	2018.10.03~2019.06.28
	RMB (SELL)	635,000	2018.12.06~2019.01.10
	TWD (SELL)	108,180,700	2018.10.03~2019.06.28
Foreign exchange forward contracts	USD (BUY)	2,157,948	2018.10.15~2019.04.17
	MXN (BUY)	1,466,400	2018.10.22~2019.01.25
	EUR (SELL)	20,000	2018.12.28~2019.01.30
	BRL (SELL)	253,884	2018.12.06~2019.01.11
	RMB (SELL)	6,220,060	2018.11.08~2019.01.28
	INR (SELL)	29,662,100	2018.12.20~2019.03.27
	TWD (SELL)	23,003,310	2018.10.15~2019.04.17
	USD (SELL)	75,000	2018.10.22~2019.01.25

(a) Cross currency swap contracts

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

(b) Forward foreign exchange contracts

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

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

B. Investing activities: Import of machinery and equipment

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

(c) Convertible bonds payable

i. The Company's indirect subsidiary, FIH Mobile Limited, acquired convertible bonds issued by Mango International in the amount of US$60 million. The convertible bonds are embedded derivatives. For the year ended December 31, 2018, FIH Mobile Limited recognised valuation loss of US$44,806 based on the estimated fair value of the convertible bonds due to significant doubt on Mango International's ability to continue as a going concern. For the year ended December 31, 2019, the valuation gain and loss was $0.

ii. The Company's indirect subsidiary, PCE Paragon Solutions Kft., acquired convertible bonds issued by Nanthealth, Inc. in the amount of US$30 million. The convertible bonds are embedded derivatives. Based on the contract, PCE Paragon Solutions Kft. has the right to require conversion after issue date and until maturity date if the written consent is submitted in advance. If there are remaining convertible bonds at maturity, such convertible bonds will be redeemed in the form of cash.

(d) Put option

The Company's subsidiary, Foxconn (Far East) Limited, acquired Foxconn Ventures Pte. Ltd. in the amount of US$600,002 thousand and entered into an agreement with Foxconn Ventures Pte. Ltd.'s joint venture shareholder, Softbank Group Corporation. Based on the agreement, the Company's subsidiary, Foxconn (Far East) Limited, has the right to require Foxconn Ventures Pte. Ltd.'s joint venture shareholder, Softbank Group Corporation, to repurchase Alibaba Group Holding Limited's stocks at the original investment price at the date after 2 years from date of agreement. Foxconn Ventures Pte. Ltd. disposed the shares of Alibaba Group Holding Limited for a consideration of US$ 398,420 thousand on March 20, 2019.

D. Details of the Group's investment in equity instruments and beneficiary certificates are provided in Table 3.

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

F. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Equity instruments at cost	$ 59,365,998	$ 63,383,262
Fair value adjustments	9,441,219	3,251,133
	$ 68,807,217	$ 66,634,395

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive		
Fair value change recognised in other comprehensive	$ 4,720,616	($ 4,687,419)
Cumulative gains reclassified to retained earnings due to derecognition	$ 1,545,121	$ 1,045,194

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

D. Details of the Group's investment in equity instruments is provided in Table 3.

(4) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Capital guarantee financial products	$ 18,341,333	$ 40,594,055
Time deposits with maturity over three months	33,401,517	26,325,076
Refundable deposits	758,872	565,214
Restricted bank deposits	133,411	-
Pledged time deposits	319,744	11,459,794
	$ 52,954,877	$ 78,944,139
Non-current items:		
Financial bonds-trust fund	$ 12,484,790	$ 14,312,960
Refundable deposits	-	1,647,218
Time deposits with maturity over twelve months	-	109,716
Pledged time deposits	43,779	170,846
	$ 12,528,569	$ 16,240,740

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the year ended December 31,	
	2019	2018
Interest income	$ 2,337,822	$ 2,517,813

B. The Group invested in the trust fund named Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust in December 2017 which was mainly created for the investment in Guangzhou Guangyin Nanyue Intelligent Technology Industrial Investment Partnership. As of December 31, 2019, the Group has invested a total of RMB 3.5 billion and has redeemed RMB 600 million. Under the agreement, the Group will take over the share in the trust of the preferred beneficiary, Bank of Guangzhou, in case it initiates a redemption.

C. The counterparties of the Group's investments have good credit quality.

D. Information relating to financial assets at amortised cost pledged as collateral is provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 440,306	$ 976,342
Accounts receivable	992,631,562	1,013,122,289
Less: Allowance for sales returns and allowances	(5,793,430)	(4,734,479)
	$ 987,278,438	$ 1,009,364,152

A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,237,642,401.

B. On December 31, 2019 and 2018, the Group had accounts receivable classified as financial assets at fair value through other comprehensive income in the amounts of $108,993,188 and $102,651,635, respectively.

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

As of December 31, 2019 and 2018, the relevant information of accounts receivable factored but unsettled were as follows:

December 31, 2019			
Accounts receivable factoring not yet due	Amount of accounts receivable derecognised	Amount advanced	Amount of consideration retained
$ 15,957,505	$ 15,957,505	$ 15,957,505	$ -

December 31, 2018			
Accounts receivable factoring not yet due	Amount of accounts receivable derecognised	Amount advanced	Amount of consideration retained
$ 36,863,855	$ 36,863,855	$ 36,863,855	$ -

As of December 31, 2019 and 2018, the Group has no retention for the factoring of accounts receivable.

D. As of December 31, 2019 and 2018, the Group has not signed promissory notes as guarantee for accounts receivable in commercial dispute.

E. For the year ended December 31, 2019 and 2018, the financing charges (expenses) incurred from accounts receivable factoring information is provided in Note 6(35).

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

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

(6) Other receivables

	December 31, 2019	December 31, 2018
Tax refund receivable	$ 27,552,147	$ 42,199,170
Interest receivable	28,008,152	24,113,044
Loans to others	2,280,745	1,005,435
Others	10,013,255	6,678,718
	$ 67,854,299	$ 73,996,367

The Group's other receivables are due from entities and government agencies with good credit quality. There is no significant credit risk as default is unlikely to occur.

(7) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 148,887,252	$ 163,455,983
Work in process	105,747,965	126,733,927
Finished goods	261,457,747	326,482,232
Inventory in transit	23,526,271	32,509,726
	539,619,235	649,181,868
Less: Allowance for inventory obsolescence and market price decline	(23,847,058)	(24,156,074)
	$ 515,772,177	$ 625,025,794

Expenses and losses incurred on inventories for the years ended December 31, 2019 and 2018 were as follows:

	For the year ended December 31,	
	2019	2018
Cost of inventories sold	$ 5,032,378,954	$ 4,970,236,500
Gain from price recovery	(303,359)	(3,569,963)
Revenue from sale of scraps	(5,431,538)	(4,904,210)
Others	298,513	10,791
	$ 5,026,942,570	$ 4,961,773,118

As the Group sold some inventory with net realisable value lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the years ended December 31, 2019 and 2018.

(8) Investments accounted for under equity method

	2019	2018
At January 1	$ 160,316,664	$ 151,000,283
Addition of investments accounted for using equity	1,243,716	3,937,967
Disposal of investments accounted for using equity	(4,493,137)	-
Earnings distribution of investments accounted for using equity method	(4,805,210)	(2,746,888)
Share of profit or loss of investments accounted for	19,634,053	16,231,713
Changes in retained earnings	(513,217)	-
Changes in capital surplus	(950,756)	6,572,078
Changes in other equity items	1,931,534	(12,821,966)
Impairment loss	(157,082)	(2,535,426)
Others	(3,574,923)	678,903
At December 31	$ 168,631,642	$ 160,316,664

A. The Group has assessed impairment of certain investees for the years ended December 31, 2019 and 2018, and has accrued impairment loss of $157,082 and $2,535,426, respectively (shown as “other gains and losses”).

B. The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the “Asia Pacific”) in 2019. After acquisition, the Company owned 40.74% equity interest in Asia Pacific which represented majority of the voting rights of its shareholders and the Company has control over the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since control date. Meanwhile, the Company lost significant influence of Asia Pacific and remeasured the fair value of the remaining investment. The Company recognised the difference between fair value and book value of $1,691,000 (shown as “other gains and losses”). Details of business combination about Asia Pacific is provided in Note 6(38).

C. Associates

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

Company name	Principal place of business	Shareholding ratio December 31, 2019	Shareholding ratio December 31, 2018	Nature of relationship	Method of measurement
Sharp Corporation	Japan	42%	42%	Strategic Investment	Equity method
Foxconn Technology Co., Ltd.	Taiwan	29%	29%	Supplier	Equity method
Zhen Ding Technology Holding Limited	Cayman	34%	38%	Supplier	Equity method

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

Balance sheet

	Sharp Corporation	
	December 31, 2019	December 31, 2018
Current assets	$ 318,630,526	$ 339,409,827
Non-current assets	214,183,459	206,613,071
Current liabilities	(254,314,425)	(235,076,926)
Non-current liabilities	(185,840,064)	(187,237,717)
Total net assets	92,659,496	123,708,255
Effect of accounting principles	(11,943,340)	(73,735,233)
Fair value adjustment of trademarks, other intangible net assets and tangible net assets	112,859,837	116,664,616
Total net assets after adjustment	$ 193,575,993	$ 166,637,638
Share in associate's net assets (Note)	$ 73,410,848	$ 62,281,587
Goodwill	12,450,964	12,576,169
Others	(975,970)	(387,590)
Carrying amount of the associate	$ 84,885,842	$ 74,470,166

Note : Share in associate's net assets is counted with equity of ordinary shares, excluding Class C shares of Sharp Corporation.

	Foxconn Technology Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 108,072,195	$ 107,023,860
Non-current assets	56,503,622	49,306,705
Current liabilities	(54,840,529)	(56,020,510)
Non-current liabilities	(1,129,678)	(720,121)
Total net assets	$ 108,605,610	$ 99,589,934
Share in associate's net assets	$ 32,011,570	$ 29,354,194
Goodwill	338,190	338,190
Others	3,930	(19,509)
Carrying amount of the associate	$ 32,353,690	$ 29,672,875

	Zhen Ding Technology Holding Limited	
	December 31, 2019	December 31, 2018
Current assets	$ 83,203,716	$ 88,894,203
Non-current assets	56,677,619	51,212,950
Current liabilities	(39,032,879)	(51,835,059)
Non-current liabilities	(10,504,355)	(10,163,514)
Total net assets	$ 90,344,101	$ 78,108,580
Share in associate's net assets	$ 22,741,808	$ 21,278,557
Others	(28,971)	-
Carrying amount of the associate	$ 22,712,837	$ 21,278,557

Statement of comprehensive income

	Sharp Corporation	
	For the year ended December 31,	
	2019	2018
Revenue	$ 676,371,949	$ 646,836,317
Profit for the year from continuing operations	18,648,819	20,991,118
Other comprehensive income (loss), net of tax	7,421,513	(1,761,544)
Total comprehensive income	26,070,332	19,229,574
Effect of accounting principles	10,277,033	(1,987,440)
Total comprehensive income after adjustment	$ 36,347,365	$ 17,242,134
Dividends received from associates	$ 1,277,406	$ 602,982

	Foxconn Technology Co., Ltd.	
	For the year ended December 31,	
	2019	2018
Revenue	$ 99,802,129	$ 142,057,432
Profit for the year from continuing operations	7,037,114	9,150,847
Other comprehensive income (loss), net of tax	6,824,527	(39,030,627)
Total comprehensive income (loss)	$ 13,861,641	($ 29,879,780)
Dividends received from associates	$ 1,334,145	$ 1,500,913

	Zhen Ding Technology Holding Limited	
	For the year ended December 31,	
	2019	2018
Revenue	$ 120,067,508	$ 117,912,881
Profit for the year from continuing operations	12,401,617	11,536,495
Other comprehensive loss, net of tax	(3,312,504)	(1,485,700)
Total comprehensive income	$ 9,089,113	$ 10,050,795
Dividends received from associates	$ 1,336,457	$ 1,008,092

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

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to $28,679,273 and $34,895,066, respectively.

	For the year ended December 31,	
	2019	2018
Income (loss) for the year from continuing operations	$ 3,351,246	($ 338,300)
Other comprehensive loss, net of tax	(779,886)	(1,262,345)
Total comprehensive income (loss)	$ 2,571,360	($ 1,600,645)

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

	December 31, 2019	December 31, 2018
Sharp Corporation	$ 103,325,835	$ 68,128,869
Foxconn Technology Co., Ltd.	27,600,129	25,223,683
Zhen Ding Technology Holding Limited	38,968,380	24,499,695
	$ 169,894,344	$ 117,852,247

(9) Property, plant and equipment

	2019						
At January 1	Land	Buildings	Machinery and equipment	Computer and communication equipment	Others	Equipment under installation and construction in progress	Total
Cost	$ 4,187,609	$ 199,046,485	$ 249,832,617	$ 8,768,524	$ 151,844,877	$ 24,418,437	$ 638,098,549
Accumulated depreciation and impairment	-	(81,242,477)	(169,196,450)	(7,112,646)	(102,686,964)	-	(360,238,537)
	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 1,655,878	$ 49,157,913	$ 24,418,437	$ 277,860,012
Opening net book amount as at January 1	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 1,655,878	$ 49,157,913	$ 24,418,437	$ 277,860,012
Additions	7,505,720	15,068,196	14,351,055	660,831	12,788,063	19,100,838	69,474,703
Transfer	-	6,479,118	5,799,056	78,160	580,476	(13,898,334)	(961,524)
Acquired through business combinations	1,319,286	459,236	7,054	8,501,571	156,039	1,604,762	12,047,948
Disposals	-	(159,250)	(2,299,953)	(49,796)	(1,176,296)	(1,566,386)	(5,251,681)
Depreciation charge	-	(12,770,961)	(27,207,430)	(565,709)	(16,204,358)	-	(56,748,458)
Impairment loss	-	-	(95,971)	-	-	-	(95,971)
Net exchange differences	1,221,142	(6,294,743)	(3,776,846)	(750,005)	2,042,724	(1,244,048)	(8,801,776)
Closing net book amount as at December 31	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253
At December 31							
Cost	$ 14,233,757	$ 208,869,510	$ 275,816,855	$ 39,326,807	$ 160,547,139	$ 28,415,269	$ 727,209,337
Accumulated depreciation and impairment	-	(88,283,906)	(208,403,723)	(29,795,877)	(113,202,578)	-	(439,686,084)
	$ 14,233,757	$ 120,585,604	$ 67,413,132	$ 9,530,930	$ 47,344,561	$ 28,415,269	$ 287,523,253

	2018					
At January 1	Land	Buildings	Machinery and equipment	Others	Equipment under installation and construction in progress	Total
Cost	$ 3,890,073	$ 192,909,435	$ 247,127,693	$ 144,951,893	$ 26,207,515	$ 615,086,609
Accumulated depreciation and impairment	-	(71,615,883)	(159,088,232)	(106,178,489)	-	(336,882,604)
	$ 3,890,073	$ 121,293,552	$ 88,039,461	$ 38,773,404	$ 26,207,515	$ 278,204,005
Opening net book amount as at January 1	$ 3,890,073	$ 121,293,552	$ 88,039,461	$ 38,773,404	$ 26,207,515	$ 278,204,005
Additions	4,338	5,509,269	24,781,691	19,950,182	19,474,823	69,720,303
Transfer	202,248	3,511,102	6,510,630	8,552,825	(20,294,185)	(1,517,380)
Disposals	(3,504)	(125,810)	(2,275,623)	(1,587,190)	(277,207)	(4,269,334)
Acquired through business combinations	-	4,168	58,820	482,794	44,779	590,561
Depreciation charge	-	(10,149,714)	(32,824,433)	(15,236,559)	-	(58,210,706)
Impairment loss	-	-	(194,561)	-	-	(194,561)
Net exchange differences	94,454	(2,238,559)	(3,459,818)	(121,665)	(737,288)	(6,462,876)
Closing net book amount as at December 31	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 50,813,791	$ 24,418,437	$ 277,860,012
At December 31						
Cost	$ 4,187,609	$ 199,046,485	$ 249,832,617	$ 160,613,401	$ 24,418,437	$ 638,098,549
Accumulated depreciation and impairment	-	(81,242,477)	(169,196,450)	(109,799,610)	-	(360,238,537)
	$ 4,187,609	$ 117,804,008	$ 80,636,167	$ 50,813,791	$ 24,418,437	$ 277,860,012

A. The Group recognised impairment loss of $95,971 and $194,561 (shown as “other gains and losses”) for the years ended December 31, 2019 and 2018, respectively.

B. Details of property, plant and equipment pledged as collateral are provided in Note 8.

(10) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, land use right, buildings, transportation equipment and other equipment. Except for contracts of land use right which cover a period of 50 years, other rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months include dormitories, business vehicles and office.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	
	Carrying amount	
Land and land use right	$	21,248,308
Buildings		23,633,305
Other equipment		1,878,727
	$	46,760,340

	For the year ended December 31, 2019	
	Depreciation charge	
Land and land use right	$	2,372,018
Buildings		5,731,167
Other equipment		292,403
	$	8,395,588

D. For the year ended December 31, 2019, the additions to right-of-use assets was $11,422,804.

E. The information on income and expense accounts relating to lease contracts is as follows:

	For the year ended December 31, 2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	1,174,008
Expense on short-term lease contracts	$	3,385,617

F. For the year ended December 31, 2019, the Group’s total cash outflow for leases was $9,741,334.

(11) Leasing arrangements – lessor

A. The Group mainly leases machinery and equipment. Rental contracts are typically made for 5 years.

B. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2019
No later than one year	$ 496,589
Later than one year but not later than five years	1,941,955
	$ 2,438,544

C. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:

	December 31, 2019	
	Current	Non-current
Undiscounted lease payments	$ 496,589	$ 1,941,955
Unearned finance income	(27,548)	(69,638)
Net investment in the lease	$ 469,041	$ 1,872,317

The net investment in the financial lease is shown as "other receivable" and "other non-current asset", respectively.

(12) Investment property

	Land and buildings	
	2019	2018
At January 1		
Cost	$ 4,129,588	$ 4,235,377
Accumulated depreciation and impairment	(1,605,625)	(1,812,854)
	$ 2,523,963	$ 2,422,523
Opening net book amount as at January 1	$ 2,523,963	$ 2,422,523
Additions	418,901	544,953
Disposals	-	(227,493)
Acquired through business combinations	2,047,982	-
Depreciation charge	(272,910)	(175,143)
Net exchange differences	(298,024)	(40,877)
Closing net book amount as at December 31	$ 4,419,912	$ 2,523,963
At December 31		
Cost	$ 8,015,199	$ 4,129,588
Accumulated depreciation and impairment	(3,595,287)	(1,605,625)
	$ 4,419,912	$ 2,523,963

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

	For the year ended December 31,	
	2019	2018
Rental income from the lease of the investment property	$ 548,677	$ 319,899
Direct operating expenses arising from the investment property that generated rental income for the year	$ 272,910	$ 175,143

B. The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. There was no impairment loss during the years ended December 31, 2019 and 2018.

C. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 were $5,045,896 and $2,826,148, respectively, which was revalued by independent appraisers. The valuation is based on latest market price of similar investment property in the same area and condition which is categorized within Level 3 in the fair value hierarchy.

(13) Intangible assets

	2019						
At January 1	Goodwill	4G concession	Patents	Trademarks	Developed technology	Customer relationships	Total
Cost	$ 17,491,247	$ -	$ 4,903,625	$ 7,683,529	$ 4,343,649	$ 1,787,904	$ 36,209,954
Accumulated amortisation and impairment	(2,440,238)	-	(2,563,462)	(72,280)	(760,559)	(16,390)	(5,852,929)
	$ 15,051,009	$ -	$ 2,340,163	$ 7,611,249	$ 3,583,090	$ 1,771,514	$ 30,357,025
Opening net book amount as at January 1	$ 15,051,009	$ -	$ 2,340,163	$ 7,611,249	$ 3,583,090	$ 1,771,514	$ 30,357,025
Acquired through business combinations	861,693	10,460,762	-	2,221,851	-	-	13,544,306
Additions	-	-	21,261	10	-	-	21,271
Amortisation charge	-	(101,590)	(423,090)	(241,865)	(705,269)	(200,594)	(1,672,408)
Impairment loss	(95,037)	-	-	-	(43,233)	-	(138,270)
Net exchange differences	(411,124)	-	(44,463)	(175,556)	(63,791)	(36,637)	(731,571)
Closing net book amount as at December 31	$ 15,406,541	$ 10,359,172	$ 1,893,871	$ 9,415,689	$ 2,770,797	$ 1,534,283	$ 41,380,353
At December 31							
Cost	$ 17,880,175	$ 10,460,762	$ 4,805,694	$ 9,721,511	$ 4,239,016	$ 1,744,836	$ 48,851,994
Accumulated amortisation and impairment	(2,473,634)	(101,590)	(2,911,823)	(305,822)	(1,468,219)	(210,553)	(7,471,641)
	$ 15,406,541	$ 10,359,172	$ 1,893,871	$ 9,415,689	$ 2,770,797	$ 1,534,283	$ 41,380,353

	2018					
At January 1	Goodwill	Patents	Trademarks	Developed technology	Customer relationships	Total
Cost	$ 3,799,682	$ 4,277,821	$ 3,170,383	$ 647,456	$ -	$ 11,895,342
Accumulated amortisation and impairment	-	(2,055,042)	(5,136)	(282,720)	-	(2,342,898)
	$ 3,799,682	$ 2,222,779	$ 3,165,247	$ 364,736	$ -	$ 9,552,444
Opening net book amount as at January 1	$ 3,799,682	$ 2,222,779	$ 3,165,247	$ 364,736	$ -	$ 9,552,444
Acquired through business combinations	13,563,157	-	4,411,392	3,689,472	1,787,904	23,451,925
Additions	-	482,110	-	5,856	-	487,966
Amortisation charge	-	(435,062)	(65,929)	(460,022)	(16,085)	(977,098)
Impairment loss	(2,394,961)	-	-	-	-	(2,394,961)
Net exchange differences	83,131	70,336	100,539	(16,952)	(305)	236,749
Closing net book amount as at December 31	$ 15,051,009	$ 2,340,163	$ 7,611,249	$ 3,583,090	$ 1,771,514	$ 30,357,025
At December 31						
Cost	$ 17,491,247	$ 4,903,625	$ 7,683,529	$ 4,343,649	$ 1,787,904	$ 36,209,954
Accumulated amortisation and impairment	(2,440,238)	(2,563,462)	(72,280)	(760,559)	(16,390)	(5,852,929)
	$ 15,051,009	$ 2,340,163	$ 7,611,249	$ 3,583,090	$ 1,771,514	$ 30,357,025

A. Details of acquired through business combinations are provided in Note 6(38).

B. For the year ended December 31, 2018, the Company recognised $2,394,961 of goodwill which was generated from business combination and acquisition of Nokia-branded products. For the purposes of impairment testing, goodwill has been allocated to the cash-generating unit (the 'CGU') relating to the Nokia-related business. The recoverable amount of this unit has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The cash flows beyond the five-year period are extrapolated using a growth rate as follows. The key assumptions for the value in use calculations are as follows:

	For the year ended December 31, 2018
Discount rate	18.81%
Growth rate	3%

This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and outflows, which include budget sales and gross margin. Such estimation is based on management's experience from manufacturing of related feature phones and smart phones and management's expectations for the market development. During the year, due to the unsatisfactory performance of the CGU and it takes longer than expected time to penetrate the market, the recoverable amount was less than its book value. Based on the valuation, an impairment loss of $2,394,961 was allocated to the goodwill.

C. Impairment assessment for goodwill of Belkin International Inc.

The Group acquired Belkin International Inc. (shown as "Belkin") which generated goodwill of $13,563,157 for the year ended December 31, 2019. Impairment assessment of goodwill is allocated to the Belkin's CGU. The recoverable amount of the CGU relating to the goodwill arising from acquisition of Belkin was determined based on value-in-use calculation. The calculation uses projected cash flows based on financial budgets for a five-year period which reflects the medium-term plan of management in expanding the customer based and market share. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. As of December 31, 2019, pre tax discount rate is 13.6%.

Based on the above assessment, there is no impairment loss on goodwill.

As a result of the impairment review, the recoverable amounts of the CGU in which goodwill has been allocated are higher than their carrying amount as at December 31, 2019.

D. The details of amortization are as follows:

	For the year ended December 31,	
	2019	2018
Operating costs	$ 1,672,408	$ 977,098

(14) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rent	$ -	$ 21,316,883
Utility duct access	1,095,837	-
Computer software cost	2,713,429	3,480,269
Refundable deposits	2,737,880	-
Assets recognised for incremental costs of obtaining contract with customers	2,081,358	-
Prepayments for equipment	704,407	918,419
Others	6,502,388	4,107,517
	$ 15,835,299	$ 29,823,088

A. Long-term prepaid rent refers to the land use rights obtained in China. Upon signing of the lease, the amount is paid in full. The Group recognised rental expense of $738,053 for the year ended December 31, 2018. With the adoption of IFRS 16, the Group reclassified long-term prepaid rent from 'Other non-current assets' to 'right-of-use asset'.

B. Refundable deposits mainly pertain to deposits for the lease of office buildings and data centers as well as bid bond for 1800MHz, 3.5GHz and 28GHz spectrum. The Company participated in the National Communications Commission's mobile broadband auction of 2019 for bidding 1800MHz, 3.5GHz and 28GHz spectrum, and paid the bid bond amounting to $1,000,000 in September 2019.

C. Utility duct access

A subsidiary of the Company, Asia Pacific Telecom. Co., Ltd. ("Asia Pacific"), entered into a use of assets contract with Taiwan Railways Administration ("TRA") in January 2001. According to the contract, TRA provides the right to use 50% of the capacity of optical fiber duct (30 cm width), which was along the same path on both of the rails for 25 years since the Ministry of Transportation and Communication issued the 3G license. Under the contract, Asia Pacific should pay $8,425,569 as compensation for the 25-year use right to TRA, and both parties agreed that TRA can use the compensation of $8,000,000 as capital to invest in Asia Pacific. Under the contract, Asia Pacific should pay $100,000 per year to TRA for 25 years as compensation of the use right, and TRA will no longer allow other telecom companies to use the optical fiber ducts; if any, Asia Pacific can deduct the payment based on the percentage that the other telecom companies used.

D. Incremental costs of obtaining a contract

A subsidiary of the Company, Asia Pacific Telecom. Co., Ltd., recognises the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The recognised asset is amortised on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognised amortised cost of $192,403 in profit or loss for the year ended December 31, 2019.

E. Details of other non-current assets pledged as collateral are provided in Note 8.

(15) Short-term notes and bills payable

	December 31, 2019	December 31, 2018
Commercial paper	$ 30,590,067	$ 19,301,197
Less: Unamortized discount	(61,771)	(17,969)
	$ 30,528,296	$ 19,283,228
Interest rates per annum	0.718%~1.438%	0.748%~1.1%

(16) Short-term loans

Type of loans	December 31, 2019	Interest rate range	Collateral
Bank loans			
Credit loans	$ 380,866,050	0.34%-8.45%	None

Type of loans	December 31, 2018	Interest rate range	Collateral
Bank loans			
Credit loans	$ 510,977,061	0.81%-5.87%	None
Secured loans	21,338,316	0.82%-4.99%	Time deposits
	$ 532,315,377		

The Group has signed an agreement to offset financial assets and liabilities with financial institutions. The agreement meets the offsetting criteria of IAS 32, whereby the financial assets and liabilities are offset and reported in the net amount in the balance sheet. Details of the offset as of December 31, 2019 and 2018 are as follows:

December 31, 2019			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	$ 1,424,606,382	$ 1,424,606,382	$ -

December 31, 2018			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	$ 1,347,892,969	$ 1,347,892,969	$ -

(17) Other payables

	December 31, 2019	December 31, 2018
Awards and salaries payable	$ 50,765,551	$ 49,992,571
Payables for equipment	22,418,721	31,245,417
Accrued interest payable	28,568,433	25,239,653
Employees' bonuses payable	17,584,644	17,554,368
Consumption goods expense payable (including indirect materials)	10,509,888	12,571,130
Royalty fees payable	7,206,087	13,022,077
Tax payable	6,152,745	9,317,502
Restricted stock repurchase obligation	4,052,806	-
Others	70,473,854	70,042,513
	$ 217,732,729	$ 228,985,231

A subsidiary of the company, Foxconn Industrial Internet Co., Ltd., issued employees' share restricted share in 2019. Employees have to pay to acquire those stocks, and if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund payments made on the stocks. The Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date.

(18) Other current liabilities

	December 31, 2019	December 31, 2018
Receipts in advance of payments for equipment on behalf of others	$ 8,218,433	$ 7,338,645
Contract liabilities	18,231,021	8,831,047
Deferred income	6,922,868	6,012,613
Bonds payable maturing within one year	38,546,364	11,000,000
Long-term loans maturing within one year	14,553,911	317,391
Others	5,404,263	5,051,040
	$ 91,876,860	$ 38,550,736

(19) Bonds payable

	December 31, 2019	December 31, 2018
Convertible bonds payable	$ 16,596,000	$ 16,596,000
Add: Premium on bonds payable	7,500	7,500
Less: Discount on bonds payable	(752,592)	(1,006,523)
	15,850,908	15,596,977
Corporate bonds payable	124,450,000	129,500,000
Foreign unsecured corporate bonds	73,750,800	44,697,600
	214,051,708	189,794,577
Less: Current portion (shown as "other current liabilities")	(38,546,364)	(11,000,000)
	$ 175,505,344	$ 178,794,577

A. First overseas convertible bond issue of 2017

(a) The Company issued the first overseas unsecured convertible bonds totaling USD 500 million with the approval of the competent authority on August 22, 2017. The bonds carry zero coupon rate over 5 years. The circulation period is from November 6, 2017 to November 6, 2022.

(b)The conversion price is adjusted in line with the model specified in the conversion rules. As of December 31, 2019, there has not been any converted common stock at the conversion price of NT$165.454 (using the exchange rate of 1 USD: 30.192 TWD).

(c) In accordance with the conversion rules, if the convertible bond is purchased (including purchased from the secondary market), early redeemed, or repaid at maturity by the Company, or if the convertible bond is converted into common stocks or redeemed by the bondholder, the bond is to be retired and will not be reissued.

(d) In accordance with the conversion rules, the rights and obligations of common stocks converted are the same as the outstanding ones previously subscribed.

(e) The conversion options for the first overseas convertible bond issue of 2017 are separated from the liabilities and recorded as 'capital surplus – share options' amounting to $1,099,253.

B. First unsecured convertible bond issue of 2018

(a) ShunSin Technology Holdings Limited, a subsidiary of the Company, issued the first unsecured convertible bonds totaling $1,500 million with the approval of the competent authority on January 10, 2018. The bonds carry zero coupon rate over 5 years. The circulation period is from February 12, 2018 to February 12, 2023.

(b) The conversion price was adjusted to NT$171.3 in line with the model specified in the conversion rules.

(c) The conversion options of the bonds are separated from liabilities and recognised as equity and liabilities as follows:

Convertible bonds' present value at compound interest	$	1,357,350
Embedded derivatives (i.e. put options and redemption rights)		13,650
Components of equity at issuance		129,000
	$	1,500,000

(d) The details of non-current financial assets or liabilities at fair value through profit or loss are as follows.

	December 31, 2019	December 31, 2018
Embedded derivatives (i.e. put options and redemption rights)	($ 22,800)	($ 13,650)
Valuation gain (loss)	25,050	(9,150)
	$ 2,250	($ 22,800)

C. For details of principal, interest rate, maturity and other information of corporate bonds payable and foreign unsecured corporate bonds, please refer to Table 11.

(20) Long-term loans

Institution	Loan period	Interest rate	Collateral	December 31, 2019
Long-term loans				
Mizuho Corporate Bank Ltd., etc. syndicated loan	2019/03/19~ 2022/02/26	2.7048%~ 2.7600%	None	$ 17,238,500
Mizuho Corporate Bank Ltd., etc. syndicated loan	2015/11/30~ 2020/11/30	0.4800%	〃	5,038,500
Citibank	2017/05/17~ 2020/05/17	0.5500%	〃	2,760,000
ING Bank, N.V. etc. syndicated loan	2013/01/07~ 2020/07/29	1.7900%	〃	142,035
First Commercial Bank	2011/11/30~ 2030/11/30	1.5433%	Yes	2,142,857
First Commercial Bank	2013/09/06~ 2033/09/06	1.7548%	〃	1,235,613
First Commercial Bank	2015/04/09~ 2022/04/09	1.8076%	None	3,472
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~ 2028/04/15	1.9900%~ 2.2000%	Yes	14,782
Jinshang Bank Company Limited	2019/01/29~ 2022/01/25	9.1000%	〃	361,628
JihSun International Commercial Bank Co., Ltd.	2019/11/25~ 2022/11/25	1.0300%	None	1,000,000
Agricultural Bank of China Limited	2017/5/23~ 2027/12/26	4.4100%~ 4.900%	〃	6,332,503
Taiwan Cooperative Bank	2019/12/16~ 2024/12/26	1.6500%	〃	1,000
Other loans				
China Bills Finance Corporation etc. syndicated loan	2017/12/25~ 2020/4/25	1.038%~ 1.046%	None	19,900,000
Others			〃	6,081
				56,176,971
Less: Current portion				(14,553,911)
Administration fee of syndicated loans				(24,709)
Unamortised discount				(22,099)
				$ 41,576,252

Institution	Loan period	Interest rate	Collateral	December 31, 2018
Long-term loans				
Mizuho Corporate Bank Ltd., etc. syndicated loan	2015/11/30~ 2020/11/30	0.4800%	None	$ 5,280,000
Citibank	2017/05/17~ 2020/05/17	0.5500%	〃	2,795,520
ING Bank, N.V. etc. syndicated loan	2013/01/07~ 2020/07/29	1.7900%	〃	286,336
First Commercial Bank	2011/11/30~ 2030/11/30	1.5433%	Yes	2,142,857
First Commercial Bank	2013/09/06~ 2033/09/06	1.7548%	〃	1,323,871
First Commercial Bank	2015/04/09~ 2022/04/09	1.8076%	None	268,394
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~ 2028/04/15	1.9900%~ 2.2000%	Yes	18,164
Agricultural Bank of China Limited	2017/5/23~ 2027/12/26	4.4100%~ 4.900%	None	4,804,724
Other loans				
China Bills Finance Corporation etc. syndicated loan	2017/12/25~ 2020/4/25	1.038%~ 1.046%	〃	19,900,000
Others			〃	6,195
				36,826,061
Less: Current portion				(317,391)
Unamortised discount				(24,879)
				$ 36,483,791

A. Throughout the term of Mizuho Corporate Bank Ltd., ING Bank, N.V. and Citibank Ltd. etc. syndicated term loan agreement, the Group shall maintain certain financial ratios, to be tested semi-annually and annually on a consolidated basis.

B. Details of assets pledged as collateral for long-term loans are provided in Note 8.

(21) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law of Taiwan, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows (shown as "other non-current liabilities"):

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 1,954,134	$ 2,085,143
Fair value of plan assets	(566,295)	(651,298)
Net defined benefit liability	$ 1,387,839	$ 1,433,845

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

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 2,085,143	$ 651,298	$ 1,433,845
Current service cost	10,865	-	10,865
Interest income	-	7,165	(7,165)
Interest expense	22,937	-	22,937
	2,118,945	658,463	1,460,482
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	23,659	(23,659)
Change in financial assumptions	73,724	-	73,724
Experience adjustments	(42,661)	-	(42,661)
	31,063	23,659	7,404
Pension fund contribution	-	17,929	(17,929)
Paid pension	(195,874)	(133,756)	(62,118)
At December 31	$ 1,954,134	$ 566,295	$ 1,387,839

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 2,341,897	$ 662,556	$ 1,679,341
Current service cost	14,272	-	14,272
Interest income	-	7,950	(7,950)
Interest expense	28,103	-	28,103
	2,384,272	670,506	1,713,766
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	19,455	(19,455)
Change in financial assumptions	26,560	-	26,560
Experience adjustments	(224,581)	-	(224,581)
	(198,021)	19,455	(217,476)
Pension fund contribution	-	24,501	(24,501)
Paid pension	(101,108)	(63,164)	(37,944)
At December 31	$ 2,085,143	$ 651,298	$ 1,433,845

(e) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31,	
	2019	2018
Discount rate	0.80%	1.10%
Future salary increases	3.50%	3.50%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 61,696)	$ 64,388	$ 57,843	($ 55,861)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 65,555)	$ 68,439	$ 61,659	($ 59,517)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to $16,500.

(h) As of December 31, 2019, the weighted average duration of the retirement plan is 13 years.

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The subsidiaries in mainland China have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees’ monthly salaries and wages to an independent fund administered by a government agency. The plan is administered by the government of mainland China. Other than the monthly contributions, the Group does not have further pension liabilities.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $15,154,169 and $20,913,004, respectively.

(22) Share-based payment

As of December 31, 2019 and 2018, the share-based payment transactions of FIH Mobile Limited, Foxconn Interconnect Limited and Foxconn Industrial Internet Co., Ltd, subsidiaries of the Company, are set forth below:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Share -based payment plan	November 15, 2018	146,963,583	Note (1)(6)
Senior management share grant plan	January 1, 2015	21,840,000	Note (2)
Employee restricted shares plans	January 1, 2016	4,101,500	Note (3)
Restricted share plan	December 6, 2017	259,240,433	Note (4)
〃	April 30, 2019	149,183,352	Note (4)
〃	September 11, 2019	10,348,325	Note (4)
Employee stock options	April 30, 2019	25,947,021	Note (5)
〃	September 11, 2019	473,000	Note (5)
Share award scheme	June, 2018	2,874,000	Note (6)
〃	August, 2019	2,983,000	Note (6)
Employee stock options	May 25, 2018	24,440,600	Note (7)
〃	December 28, 2018	41,763,000	Note (8)

Note 1: Of the shares granted, 3,251,902 shares cannot be sold within 1 year from the grant date.

Note 2: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees' service periods. Shares will be vested from March 31, 2017 in accordance with the number of the grantees' shares on every March 31, June 30, September 30 and December 31 at 9 % in each quarter of 2017, 3% in each quarter of 2018 and 3.25% in each quarter from 2019 to 2022.

Note 3: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees' service periods and certain performance indicators. Shares will be vested from December 31, 2016 in accordance with the number of the grantees' shares on every December 31 at 25% over the 4-year period, subject to performance related adjustment.

Note 4: Employees have to pay to acquire those shares. The employees can only exercise the rights after fulfilling the stipulated term of service under the limited partnership agreement. The difference between the fair value of the equity instrument and the consideration paid by the employee to acquire the instrument is amortised over a service period of 3 to 5 years starting from the grant date.

Note 5: From the date of grant, the exercise issue is five years, each issue shall be exercised 20% equally.

Note 6: Vested immediately.

Note 7: Vesting date was June 10, 2018. Three-year service starting from June 11, 2018.

Note 8: Vesting period was over 1 to 4 years starting from grant date which was December 28, 2018.

A. Share-based payment plans-FIH Mobile Limited

These share-based payments were granted to employees without consideration received. For the year ended December 31, 2018, expense incurred on other share-based payments was \$471,305 (US\$15,632 thousand).

B. Senior management share grant plan-Foxconn Interconnect Technology Limited

The weighted average fair value of shares granted under this plan determined using the H-model was USD3.95 per share. The significant inputs into the model were weighted average cost of capital of 13.4%, perpetuity growth rate of 3%, discount for lack of marketability of 20% and control premium of 20%. The volatility is measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices of comparable companies in the market. For the years ended December 31, 2019 and 2018, expenses incurred on senior management share grant plan were \$205,459 (US\$6,647 thousand) and \$281,420 (US\$9,334 thousand), respectively.

C. Employees' share restricted share plan-Foxconn Interconnect Technology Limited

The weighted average fair value of shares granted determined using the market approach was USD6 per share. The significant input applied in this approach was price/earnings ratio of 13.5.

For the years ended December 31, 2019 and 2018, expenses incurred on employees' restricted share plan were a reversal of \$11,591 (US\$375 thousand) and expense of \$74,501 (US\$2,471 thousand), respectively.

D. Restricted share plan-Foxconn Industrial Internet Co., Ltd.

The fair value of shares granted determined was RMB4,640,306 thousand. For the years ended December 31, 2019 and 2018, expenses incurred on restricted share plan were \$3,191,075 (RMB712,962 thousand) and \$1,681,203 (RMB368,790 thousand), respectively.

E. Employee stock options-Foxconn Industrial Internet Co., Ltd.

The increment of fair value related to the options determined using the Black-Scholes model was RMB164,904 thousand.

For the year ended December 31, 2019, expenses incurred on employee stock options was \$185,236 (RMB41,386 thousand).

F. Share award scheme-Foxconn Interconnect Technology Limited

Existing shares of the Company will be purchased by an independent trustee of the share award scheme from the market out of cash contributed by the Group and be held in trust until such shares are awarded and vested in accordance with the provisions of the share award scheme on December 31, 2018. For the years ended December 31, 2019 and 2018, expenses incurred on share award scheme were \$145,957 (US\$4,722 thousand) and \$43,084 (US\$1,429 thousand), respectively.

G. Employee stock options-Foxconn Interconnect Technology Limited

On January 18, 2018, the Company granted certain eligible employees an aggregated 25,705,400 share options. On May 25, 2018, the Company reached a mutual agreement with the eligible employees to unconditionally cancel the options and offered to grant 24,440,600 new share options (the "New Options"). The exercise price was adjusted from HK$5.338 per share to HK$3.69 per share. The increment of fair value related to the modification under New Options determined using the Black-Scholes model was $45,225 (US$1,500 thousand).

For the stock options granted with the compensation cost accounted for using the fair value method, the fair value of the options determined using the Black-Scholes model was $116,379 (US$3,860 thousand).

The total share-based payment expenses incurred under this transaction for the year ended December 31, 2018 was $161,604 (US$5,360 thousand).

On December 28, 2018, the Company granted certain eligible employees an aggregated 41,763,000 share options at an exercise price of HK$3.422 per share and will be vested over 1-year to 4-year period. The share options granted are subject to performance related adjustment.

The fair value of the options determined using the Black-Scholes model was $185,091 (US$6,139 thousand), and the share-based payment expenses incurred under this transaction for the years ended December 31, 2019 and 2018 were $115,665 (US$3,742 thousand) and $1,266 (US$42 thousand), respectively.

(23) Other non-current liabilities

	December 31, 2019	December 31, 2018
Deferred government grants	$ 3,040,714	$ 3,331,661
Reserve for retirement pension	1,443,836	1,623,069
Finance lease payable	-	1,440,506
Others	2,781,969	2,714,036
	$ 7,266,519	$ 9,109,272

(24) Provisions

	Warranty	Decommissioning liabilities	Others	Total
At January 1, 2019	$ 5,652,147	$ -	$ -	$ 5,652,147
Acquired through business combinations	-	354,698	17,237	371,935
Additional provisions	1,483,762	15,255	11,764	1,510,781
Used during the year	(2,971,778)	-	-	(2,971,778)
Unused amounts reversed	(1,321,607)	-	(11,520)	(1,333,127)
Exchange differences	(134,712)	-	-	(134,712)
At December 31, 2019	$ 2,707,812	$ 369,953	$ 17,481	$ 3,095,246

Analysis of total provisions:

	December 31, 2019	December 31, 2018
Current	$ 2,725,293	$ 5,652,147
Non-current	$ 369,953	$ -

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

B. In accordance with the applicable agreements or the law/regulation requirements, the Group bears dismantling, removing the asset and restoring the site obligations for certain base stations. Provision was recognised as the present value of costs which was estimated to be incurred for dismantling, removing the asset and restoring the site. The decommissioning activities are ongoing.

(25) Share capital–common stock

A. As of December 31, 2019, the Company's authorised capital was $180,000,000, consisting of 18 billion shares of ordinary stock, and the paid-in capital was $138,629,906, consisting of 13,862,991 thousand shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2019 (thousand shares)	2018 (thousand shares)
At January 1	13,862,991	17,328,738
Cash capital reduction	-	(3,465,747)
At December 31	13,862,991	13,862,991

C. Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository receipts (GDRs) in Europe, Asia and the USA. The issuance amounted to USD 347,250 thousand, and the main terms and conditions of the GDRs are as follows:

(a) Voting

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting, except when a motion is on the election of directors or supervisors. A holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting.

(b) Sale and withdrawal of GDRs

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

(c) Dividends

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

(d) As of December 31, 2019, 75,796 thousand units of GDRs were outstanding, which represents 151,591 thousand shares of common stock.

D. Cash capital reduction

In order to adjust the capital structure and increase the return on equity, the Board of Directors had been resolved to reduce capital and refund cash to shareholders on May 11, 2018 and was approved by the shareholders during their meeting on June 22, 2018. Amount of the capital reduction was $34,657,477, which cancelled 3,465,747 thousand common shares and reduced capital by 20%. The capital reduction was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on August 8, 2018 and the record date of capital deduction was August 21, 2018.

E. Treasury stocks

The Company's subsidiary, Hon Jin International Investment Co., Ltd., acquired ordinary shares issued by the Company in 1998. As of December 31, 2019 and 2018, the subsidiary owned a total of 1,483,078 shares. The original cost of treasury stocks was $18,901, and the cost after capital reduction was $15,194.

(26) Capital surplus

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

	2019				
	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Share option	Total
At January 1	$ 88,501,031	$ 88,873,887	$ 11,544,285	$ 1,099,253	$190,018,456
Adjustments arising from changes in percentage of ownership in subsidiaries	-	10,315,671	-	-	10,315,671
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	(950,756)	-	(950,756)
At December 31	$ 88,501,031	$ 99,189,558	$ 10,593,529	$ 1,099,253	$199,383,371

	2018				
	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Share option	Total
At January 1	$ 88,501,031	$ 3,300,393	$ 4,972,207	$ 1,099,253	$ 97,872,884
Adjustments arising from changes in percentage of ownership in subsidiaries	-	85,573,494	-	-	85,573,494
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	6,572,078	-	6,572,078
At December 31	$ 88,501,031	$ 88,873,887	$ 11,544,285	$ 1,099,253	$190,018,456

Foxconn Industrial Internet Co., Ltd., a subsidiary of the Company, issued new shares in June 2018. The capital surplus increased as the Group did not acquire new shares in proportion to its shareholding percentage. More information is provided in Note 6(29) C.

(27) Retained earnings

A. The annual net income of the Company shall be appropriated in accordance with the priorities listed as follows:

(a) Recovery of losses;

(b) Appropriation of 10% for legal reserve, where such legal reserve amounts to the total paid-in capital, this provision shall not apply.

(c) Appropriation or reversal of special reserve pursuant to applicable law or regulation.

As to the earnings available for appropriation to shareholders including accumulated unappropriated earnings and earnings available for appropriation this year, the board of directors is authorised to draft an appropriation plan in accordance with the dividend policy in Section D of this Article.

The board of directors is authorised the distribution of dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of theboard of directors attended by two-thirds of the total number of directors.

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 from accumulated unappropriated 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 distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company’s paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders’ meeting on June 21, 2019 and June 22, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 12,906,510	$ -	$ 13,873,440	$ -
Special reserve	32,770,617	-	27,539,310	-
Cash dividends	55,451,962	4.0	34,657,477	2.0
	$ 101,129,089	$ 4.0	$ 76,070,227	$ 2.0

As of March 30, 2020, the distribution of 2019 earnings has not yet been proposed by the board of directors. The information on distribution of earnings will be posted on the “Market Observation Post System” of the TSEC.

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

(28) Other equity items

	Financial assets at fair value through other comprehensive income	Currency translation adjustments	Total
At January 1, 2019	$ 5,089,256	($ 65,399,183)	($ 60,309,927)
- Group	3,320,113	(47,393,440)	(44,073,327)
- Associates	3,028,377	(1,096,843)	1,931,534
At December 31, 2019	$ 11,437,746	($ 113,889,466)	($ 102,451,720)

	Available-for-sale investment	Financial assets at fair value through other comprehensive income	Currency translation adjustments	Total
At January 1, 2018	$ 28,781,127	$ -	($ 56,320,437)	($ 27,539,310)
Effect of retrospective application and retrospective restatement	(28,781,127)	23,174,353	-	(5,606,774)
- Group	-	(5,384,750)	(8,957,127)	(14,341,877)
- Associates	-	(12,700,347)	(121,619)	(12,821,966)
At December 31, 2018	$ -	$ 5,089,256	($ 65,399,183)	($ 60,309,927)

(29) Non-controlling interests

	For the year ended December 31, 2019	2018
At January 1	$ 120,555,419	$ 87,571,640
Effect of retrospective application and retrospective restatement	-	(297,228)
Balance after retrospective restatement	120,555,419	87,274,412
Share attributable to non-controlling interests:		
Gain for the year	16,876,352	770,320
Currency translation difference	(3,873,096)	(2,645,950)
Unrealised gains and losses on investments in equity instruments measured at fair value through other comprehensive income	(144,618)	(347,863)
Changes in non-controlling interests	26,227,014	35,504,500
At December 31	$ 159,641,071	$ 120,555,419

A. Certain subsidiaries of the Group have issued employee share-based payment and new shares during 2019 and 2018. The Group has not purchased additional shares in proportion to its ownership and thus, the non-controlling interest of the Group increased by $3,091,260 and $35,504,500 and equity attributable to owners of the parent increased by $10,315,671 and $85,573,494, for the years ended December 31, 2019 and 2018, respectively.

B. The main reason of the change in 2019 is because the Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (shown as “Asia Pacific”) on November 21, 2019. After acquisition, the Group owned 40.74% interest of Asia Pacific. The non-controlling interest of the Group increased by $23,135,754 due to the transaction. Details are provided in Note 6(38).

C. The main reason of the change in 2018 is because the Company’s subsidiary, Foxconn Industrial Internet Co., Ltd., issued 1,969,530 thousand shares of A-share at RMB 13.77 per share. After deducting issuance cost, total funds raised amounted to RMB 26,716,439 thousand. Accordingly, the shareholding percentage of the Group decreased from 94.2% to 84.8%. The non-controlling interest of the Group increased by $35,252,892 and equity attributable to owners of the parent increased by $87,629,369 due to the transaction.

(30) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time. Detail of major product lines and geographical regions are provided in Note 14(5).

B. Contract assets and liabilities

The Group has recognised the following receipts in advance as contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities (shown as "other current liabilities")	$ 18,231,021	$ 8,831,047	$ 11,457,913

Revenue recognised were $8,831,047 and $11,457,913 in 2019 and 2018, respectively, which included the contract liability balance at the beginning of the year.

C. Assets recognised from costs to obtaining a contract

Under IFRS 15, the incremental costs related to obtaining a telecommunication contract was recognised as an asset as the Group expected to recover these costs. For the details on incremental costs recognised during the year ended December 31, 2019, please refer to Note 6(14).

(31) Other income

	For the year ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 73,481,514	$ 57,882,814
Interest income from current financial assets at amortised cost	2,337,822	2,517,813
	75,819,336	60,400,627
Rental income	2,878,314	2,888,479
Dividend income	6,423,484	3,543,981
Government grants	2,679,066	4,263,545
Other non-operating income	2,580,054	3,318,867
	$ 90,380,254	$ 74,415,499

(32) Other gains and losses

	For the year ended December 31,	
	2019	2018
Net gain on financial assets and liabilities at fair value through profit or loss	$ 10,996,109	$ 12,202,000
Loss on disposal of property, plant and equipment	(837,950)	(824,918)
Gain on disposal of investment	1,869,967	1,666,502
Net currency exchange loss	(4,509,384)	(8,223,722)
Impairment loss	(391,323)	(5,124,948)
Other losses	(1,559,969)	(692,723)
	$ 5,567,450	($ 997,809)

(33) Expenses by nature

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

	For the year ended December 31,	
	2019	2018
Royalty expenses	$ 2,151,182	$ 2,825,733
Product warranty costs	49,931,158	50,010,965
Employee benefit expense	305,622,749	333,909,499
Depreciation	65,144,046	58,210,706
Amortisation	1,864,811	1,715,151
	$ 424,713,946	$ 446,672,054

(34) Employee benefit expense

	For the year ended December 31,	
	2019	2018
Wages and salaries	$ 261,371,295	$ 279,350,366
Share-based payment	3,831,801	2,759,608
Labor and health insurance fees	10,392,808	10,987,778
Pension costs	15,180,806	20,947,429
Other personnel expenses	14,846,039	19,864,318
	$ 305,622,749	$ 333,909,499

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall be between 5% and 7% for employees' compensation and 0% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $6,350,593 and $7,662,781, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for 2019 and 2018 were estimated and accrued based on 5% of profit of current year distributable.

For 2018, the employees' compensation resolved by the Board of Directors amounted to $7,662,781 on May 10, 2019. The amount was the same with the amount recognised in the financial statements for the year ended December 31, 2018, and will be distributed in the form of cash.

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

(35) Financial costs

	For the year ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	$ 62,179,187	$ 52,137,439
Corporate bonds	2,755,509	2,841,432
Interest expense from lease liability	1,174,008	-
Financing expense from accounts receivable factoring	491,992	565,965
	$ 66,600,696	$ 55,544,836

(36) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 29,083,236	$ 33,716,924
Tax on undistributed surplus earnings	1,876,967	6,287,641
Adjustments in respect of prior years	(408,665)	(472,086)
Total current tax	30,551,538	39,532,479
Deferred tax:		
Origination and reversal of temporary differences	2,043,859	642,403
Impact of change in tax rate	(902,538)	241,135
Total deferred tax	1,141,321	883,538
Income tax expense	$ 31,692,859	$ 40,416,017

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

	For the year ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	$ 1,481	($ 43,495)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 53,789,473	$ 52,125,423
Tax exempt income by tax regulation	(22,743,457)	(17,157,498)
Prior year income tax overestimation	(408,665)	(472,086)
Tax on undistributed earnings	1,876,967	6,287,641
Others	(821,459)	(367,463)
Income tax expense	31,692,859	40,416,017
Change in deferred income tax	(2,043,859)	(642,403)
Impact of change in the tax rate	902,538	(241,135)
Prior year income tax overestimation	2,231,922	472,086
Prepaid income tax	(8,424,540)	(10,928,135)
Income tax payable for prior years	(2,909,750)	9,279,165
Others	(2,917,881)	(1,955,438)
Current income tax liability	$ 18,531,289	$ 36,400,157

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive	December 31
Temporary differences:				
－Deferred tax assets:				
Reserve for inventory obsolescence and market price decline	$ 2,593,980	($ 1,201,385)	$ -	$ 1,392,595
Deferred revenue	1,452,329	(85,905)	-	1,366,424
Unrealised financial instruments	905,098	(727,498)	-	177,600
Unrealised expenses	1,903,523	(176,045)	-	1,727,478
Difference between accounting and	4,028,238	(2,186,628)	-	1,841,610
Reserve for pension cost	286,833	(10,250)	1,481	278,064
Unused compensated absences	238,191	537,523	-	775,714
Others	4,821,112	6,320,868	-	11,141,980
	16,229,304	2,470,680	1,481	18,701,465
－Deferred tax liabilities:				
Foreign investment income using equity method	(5,545,097)	1,166,305	-	(4,378,792)
Unrealised exchange gain	(258,631)	(200,874)	-	(459,505)
Interest income	(2,896,500)	(815,161)	-	(3,711,661)
Unrealised gain on financial instruments	(272,430)	272,430	-	-
Others	(5,676,850)	(4,034,701)	-	(9,711,551)
	(14,649,508)	(3,612,001)	-	(18,261,509)
	$ 1,579,796	($ 1,141,321)	$ 1,481	$ 439,956

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive	December 31
Temporary differences:				
－Deferred tax assets:				
Allowance for sales allowances	$ 406,558	($ 406,558)	$ -	$ -
Reserve for inventory obsolescence and market price decline	2,587,897	6,083	-	2,593,980
Deferred revenue	1,915,573	(463,244)	-	1,452,329
Unrealised financial instruments	1,058,268	(153,170)	-	905,098
Unrealised expenses	429,030	1,474,493	-	1,903,523
Difference between accounting and	5,227,173	(1,198,935)	-	4,028,238
Reserve for pension cost	286,029	44,299	(43,495)	286,833
Unused compensated absences	661,637	(423,446)	-	238,191
Others	2,476,212	2,344,900	-	4,821,112
	15,048,377	1,224,422	(43,495)	16,229,304
－Deferred tax liabilities:				
Foreign investment income using equity method	(5,405,771)	(139,326)	-	(5,545,097)
Unrealised exchange gain	(1,792,492)	1,533,861	-	(258,631)
Interest income	(3,230,586)	334,086	-	(2,896,500)
Unrealised gain on financial instruments	-	(272,430)	-	(272,430)
Others	(2,112,699)	(3,564,151)	-	(5,676,850)
	(12,541,548)	(2,107,960)	-	(14,649,508)
	$ 2,506,829	($ 883,538)	($ 43,495)	$ 1,579,796

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences unrecognised as deferred tax liabilities were $1,059,304,231 and $992,628,708, respectively.

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% and the undistributed surplus earnings rate was marked down from 10% to 5%, effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

G. The Company applied to "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" and was approved by the authority. Based on the Act, the Company repatriated offshore, included China, funds. For the first two years from the enforcement, tax rate is 8%

and then 10%, instead of assessing income tax act. After submitting an investment plan for investing in industries to the MOEA for approval within one year from the date of depositing the funds, the Company will have a 50% refund of the tax paid.

(37) Earnings per share

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 115,308,736	13,861,508	$ 8.32
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 115,308,736	13,861,508	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	69,940	
Convertible bonds-overseas	224,339	91,240	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 115,533,075	14,022,688	$ 8.24

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 129,065,105	16,073,651	$ 8.03
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 129,065,105	16,073,651	
Employees' compensation	-	108,231	
Convertible bonds-overseas	220,853	86,582	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 129,285,958	16,268,464	$ 7.95

(38) Business combinations

A. Foxconn Interconnect Technology Limited, a subsidiary of the Company, subscribed and acquired 100% equity interest in Belkin International Inc. and its subsidiaries for a consideration of US$879,944 thousand. Belkin and its subsidiaries are specialized in the consumer electronics products such as mobile phone accessories, desktop connectivity, home automation solution and related products. With the acquisition, the Group expects to leverage from Belkin's manufacturing expertise to produce more competitive products, and complement the existing interconnect solutions and other products offered to customers.

B. The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the "Asia Pacific") for $10,000,000 on November 21, 2019. After acquisition, the Group owned 40.74% interest in Asia Pacific, which represented majority of the voting rights of its shareholders, and has control over the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since control date. Communications is the main business of Asia Pacific. With the acquisition, the Group expects to develop 5-generation (5G) communication.

C. The fair value of identifiable assets acquired and liabilities assumed are summarised as follows:

	Asia Pacific Telecom Co., Ltd.	Belkin International Inc.
Purchase consideration		
Cash paid	$ 10,000,000	$ 27,031,880
Fair value of equity interest in Asia Pacific Telecom Co., Ltd. held before the business	6,393,680	-
Fair value of the non-controlling interest	23,135,754	-
	39,529,434	27,031,880
Recognised amount of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	9,297,209	919,880
Notes receivable and accounts receivable	1,965,828	2,623,457
Other receivables	117,277	1,181,768
Inventory	495,850	5,332,501
Property, plant and equipment	11,608,612	590,561
Right-of-use assets	3,666,222	-
Intangible assets	12,682,613	9,888,768
Deferred income tax assets	4,309,033	1,883,658
Other non-current assets	6,549,305	70,533
Short-term loans and notes and bills	(3,285,344)	-
Accounts payable	(1,281,558)	(6,525,481)
Other payables	(2,686,196)	-
Deferred income tax liabilities	(608,502)	(2,496,922)
Lease liabilities	(3,207,059)	-
Other liabilities	(694,512)	-
Total identifiable net assets	38,928,778	13,468,723
Goodwill	$ 600,656	$ 13,563,157

D. The fair value of the acquired identifiable intangible assets (including patents, trademarks, developed technology, customer relationships and 4G concession) of $12,682,613 and $9,888,768 for the years ended December 31, 2019 and 2018, respectively, is provisional pending receipt of the final valuations for those assets. For details, please refer to Note 6(13).

E. The operating revenue included in the consolidated statement of comprehensive income for the years ended December 31, 2019 and 2018 contributed by Asia Pacific Telecom Co., Ltd. and its subsidiaries and Belkin International Inc. and its subsidiaries were $1,560,865 and $7,361,726, respectively. Net income and loss before tax for the years ended December 31, 2019 and 2018 contributed by Asia Pacific Telecom Co., Ltd. and its subsidiaries and Belkin International Inc. and its subsidiaries were loss of $522,995 and income of $177,764, respectively. Had Asia Pacific Telecom Co., Ltd. and its subsidiaries and Belkin International

Inc. and its subsidiaries been consolidated from January 1, 2019 and 2018, the consolidated statement of comprehensive income would show operating revenue of $5,355,496,196 and $5,333,357,925, respectively and income before tax of $159,255,960 and $169,373,888, respectively.

F. The acquisition of Asia Pacific Telecom Co., Ltd. and cooperative transaction is in the process of acquisition cost allocation. The Group has assigned experts to assist in identifying and assessing the fair value of assets as well as liabilities assumed. The acquisition cost allocation is expected to be completed within the period (one year within the acquisition date).

G. Fuxiang Precision Industrial (Kunshan) Co., Ltd., a subsidiary of the Company, acquired 100% equity interest of Mingyang Realty Development (Kunshan) Co., Ltd. and Tuozhan Property Development Co., Ltd. on April 12, 2019 and May 9, 2019 for a consideration of RMB217,730 thousand and RMB574,945 thousand, respectively. The combinations mainly acquired investment property of $2,047,982 and goodwill of $261,037. For details, please refer to Note 6(12) and 6(13).

(39) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the year ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 69,474,703	$ 69,720,303
Add: Opening balance of payable on equipment	31,245,417	27,468,160
Less: Ending balance of payable on equipment	(22,418,721)	(31,245,417)
Net exchange differences	(779,948)	(410,234)
Cash paid during the year	$ 77,521,451	$ 65,532,812
Disposal of property, plant and equipment	$ 4,413,731	$ 3,444,416
Add: Opening balance of receivable on equipment	2,383,723	26,824,429
Less: Ending balance of receivable on equipment	(220,019)	(2,383,723)
Net exchange differences	(7,483)	(1,694)
Cash received during the year	$ 6,569,952	$ 27,883,428

B. Changes in liabilities from financing activities

For the years ended December 31, 2019 and 2018, liabilities from financing activities included short-term loans, short-term notes and bills payable, corporate bonds payable and long-term loans, the related changes resulting from cash flows from financing activities, discount amortisation and changes in exchange rate. Summarised amount is as follows, and relevant information is shown in the statements of cash flows:

	2019	2018
At January 1	$ 778,219,243	$ 663,124,371
Changes in cash flow from financing activities	(97,615,713)	112,848,483
Changes in other non-cash items	3,492,753	229,463
Impact of changes in foreign exchange rate	(2,520,066)	2,016,926
At December 31	$ 681,576,217	$ 778,219,243

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Sharp Corporation and subsidiaries	Associate
Foxconn Technology Co., Ltd. and subsidiaries	"
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	"
Fu Yu Precision Components (Kunshan) Co., Ltd.	"
Pan International Industrial Corporation and subsidiaries	"
Eson Precision Ind. Co., Ltd. and subsidiaries	"
General Interface Solution Holding Limited and subsidiaries	"
Zhen Ding Technology Holding Limited and subsidiaries	"
Ennoconn Corporation and subsidiaries	"
CyberTAN Technology, Inc. and subsidiaries	"
Foxsemicon Integrated Technology Inc. and subsidiaries	"
UER Technology Corporation	"
G-TECH Optoelectronics Corporation	"
Foxconn Global Network	"
Advanced Optoelectronic Technology Inc.	"
Ampower Technology Co., Ltd.	"
Fitipower Integrated Technology Inc.	"
Zeitec semiconductor Co., Ltd.	"
Foxstar Technology Co., Ltd.	"
CJ Electric Systems Co., Ltd.	"
Ampower (BeiHai) Ltd.	"
SafeDX S.R.O.	"
Beijing HengYu New Energy Auto Rental Co., Ltd.	"
Shanghai Topone Logistics Co., Ltd.	"
Hangzhou GengDe Electronics Co., Ltd.	"
Shenzhen Lluvia Technology Co., Ltd.	"
Trans-Iot Technology Co., Ltd.	"
Hongkang Zhihui Corporation Limited	"
HaiWei Technology (Shenzhen) Co., Ltd.	"
Morgen Precision Industry Co., Ltd. and subsidiaries	"
He Cheng Da Technology (Shenzhen) Co., Ltd.	"
Sichuang Cheng Gong Fu Chuang Technology Co., Ltd.	"
Maxnerva Technology Services Ltd and subsidiaries	"
FuDongQun Automation Technology (Shenzhen) Co., Ltd.	"

Names of related parties	Relationship with the Group
Cheng Uei Precision Industry Co., Ltd. and subsidiaries	Other related party
Innolux Corporation and subsidiaries	"
SIO International Holdings Limited and subsidiaries	"
ES Platform Limited	"

(2) Significant transactions and balances with related parties

A. Sales

	For the year ended December 31,	
	2019	2018
Sales of goods:		
Associates	$ 175,044,681	$ 197,759,935
Other related party	11,510,848	12,371,719
	$ 186,555,529	$ 210,131,654

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

B. Purchases

	For the year ended December 31,	
	2019	2018
Purchase of goods:		
Associates	$ 79,158,346	$ 130,834,386
Other related party	15,378,481	25,605,475
	$ 94,536,827	$ 156,439,861

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

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
Associates	$ 44,003,230	$ 43,864,066
Other related party	2,214,499	4,322,659
Less: Reclassify as other receivables	(1,449,260)	-
Less: Allowance for doubtful accounts	(13,865)	(14,457)
	44,754,604	48,172,268
Other receivables - sale of property, plant and equipment:		
Associates	38,441	90,904
Innolux Corporation and subsidiaries	-	2,225,585
Other receivables - purchase of materials on behalf of related parties:		
Associates	1,467,582	1,676,151
Other related party	121,893	174,726
	1,627,916	4,167,366
Other receivables - disposal of investment (shown as "other receivables" and "other non-current assets"):		
ES Platform Limited	21,859,451	49,031,458
Fuzhun Precision Industry (Shenzhen) Co., Ltd.	-	2,693,770
FuYu Precision Components (Kunshan) Co., Ltd.	-	1,451,110
Other receivables		
Associates	1,449,260	-
Less: Allowance for doubtful accounts	(762,872)	-
	22,545,839	53,176,338
	$ 68,928,359	$ 105,515,972

(a) The amount is due 14 to 90 days after the transaction date.

(b) The Company disposed preferred C stock shares without voting rights of Sharp Corporation on December 29, 2017. The consideration for the disposal of 1,136,363 shares was $93,128,046 (¥352,490,712 thousand), which is due in each quarter beginning from the settlement date. The last settlement date is June 30, 2020.

(c) The Company disposed 100% shares of its subsidiary, Champ Tech Optical (Foshan) Corporation, to Fuzhun Precision Industry (Shenzhen) Co., Ltd. and FuYu Precision Components (Kunshan) Co., Ltd., subsidiaries of Foxconn Technology Co., Ltd. on December 1, 2018. The consideration was $4,397,458 (RMB $989,220 thousand).

(d) The receivables are unsecured and non-interest bearing.

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

D. Payables to related parties

	December 31, 2019	December 31, 2018
Accounts payable:		
Associates	$ 30,846,862	$ 36,494,646
Other related party	4,662,265	5,846,103
	35,509,127	42,340,749
Other payables - acquisition of property, plant and equipment:		
Associates	311,969	793,082
Other payables - procurement of raw materials on behalf of others:		
Associates	2,005,923	361,401
	2,317,892	1,154,483
	$ 37,827,019	$ 43,495,232

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

E. Lease transactions－lessee

(a) The Group leases buildings from associates. Rental contracts are typically made for periods of 1 to 3 years. Rents are paid at the end of month.

(b) Acquisition of right-of-use assets:

In adopting IFRS 16, right-of-use asset was increased by $356,825 on January 1, 2019. For the year ended December 31, 2019, the Group acquired right-of-use asset of $9,985.

(c) Lease liabilities

	December 31, 2019
Associates	$ 297,003

For the year ended December 31, 2019, the interest expense incurred on lease liabilities was $14,364.

F. Prepayments:

	December 31, 2019	December 31, 2018
Associates	$ 3,888	$ 3,071

F. Property transactions:

(a)Acquisition of property, plant and equipment:

	For the year ended December 31,	
	2019	2018
Acquisition of property, plant and equipment:		
Associates	$ 1,429,367	$ 2,452,405

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

	For the year ended December 31,			
	2019		2018	
	Proceeds from sale of property, plant and equipment	Gain	Proceeds from sale of property, plant and equipment	Gain
Sale of property, plant and equipment:				
Associates	$ 105,123	$ 45,508	$ 96,862	$ 37,491

(c) Acquisition of financial assets:

			Year ended December 31, 2019	
	Accounts	No. of shares	Objects	Consideration
Asia Pacific Telecom Co., Ltd.	Note	1,000,000	Share	$ 10,000,000
Shanghai Topone Logistics Co., Ltd.	Investment accounted for under equity method	-	"	645,765
Ennocoon Corporation	"	1,892	"	416,186
Sharp Corporation	Financial Assets at fair value though other comprehensive income	4,500	Preferred shares of Kantatsu Co., Ltd.	1,654,226
				$ 12,716,177

Note:The Group acquired the new shares issued by Asia Pacific Telecom Co., Ltd. (the "Asia Pacific") for $10,000,000 on November 21, 2019. After acquisition, the Group owned 40.74% interest in Asia Pacific, which represented majority of the voting rights of its shareholders, and has control over the main activities of Asia Pacific. Accordingly, it was included in the consolidated financial statements since control date. Deatails are provided in Note 6(38).

(d) Disposal of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2018	
				Proceeds	Gain/(loss)
Fuzhun Precision Industry (Shenzhen) Co., Ltd.	Investment accounted for under equity method	-	Champ Tech Optical (Foshan) Corporation	$ 2,858,348	$ 1,082,956
FuYu Precision Component (Kunshan) Co., Ltd.	"	-	"	1,539,110	583,130
				$ 4,397,458	$ 1,666,086

G. Loans to related parties

(a) Receivables from related parties

	December 31, 2019	December 31, 2018
Associates	$ 192,788	$ 361,372

For the information on the impairment loss on loans to related parties and related allowance for uncollectible accounts, please refer to Note 12(2). For collaterals, please refer to Table 1.

(b) Interest income

	For the year ended December 31,	
	2019	2018
Associates	$ 28,331	$ 8,728

For the years ended December 31, 2019 and 2018, the interest was recognised at the rates of 1.8%~12% and 1.70%~6%, respectively.

(3) Key management compensation

	For the year ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 720,622	$ 778,507
Post-employment benefits	2,966	439
Share-based payments	413,230	514,144
	$ 1,136,818	$ 1,293,090

8. PLEDGED ASSETS

As of December 31, 2019 and 2018, the book values of the Group's pledged assets are as follows:

Assets	Nature	December 31, 2019	December 31, 2018
Time deposits and cash (shown as "current financial assets at amortised cost	Customs deposits and short-term loans	$ 319,744	$ 11,459,794
Restricted deposits (shown as "current financial assets at amortised cost")	Prepaid card and reserve accounts for short-term loans	133,411	-
Time deposits and cash (shown as "non-current financial assets at amortised cost")	Security deposit for provisional attachment, bond deposit as security for court proceedings, security deposit for employment of foreign employees and customs deposits	43,779	170,846
Property, plant and equipment and other non-current assets	Long-term loans	5,155,879	5,599,520
		$ 5,652,813	$ 17,230,160

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for Note 6(4), contingencies and commitments are as follows:

(1) Contingencies - Significant legal matter

On March 8, 2019, Microsoft Corporation and Microsoft Licensing, GP sued the Group over the dispute regarding the royalty payment under the patent licensing agreement. The case is now in legal proceedings with the assistance of a lawyer and under the jurisdiction of the United States District Court for the Northern District of California.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 3,850,503	$ 2,707,620

B. Operating lease commitments

Prior to 2019

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

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

		December 31, 2018
Not later than one year	$	8,149,450
Later than one year but not later than five years		13,901,885
Later than five years		4,316,216
	$	26,367,551

C. As of December 31, 2019, a subsidiary of the Company, Asia Pacific Telecom Co., Ltd., had outstanding contracts of equipment procurements and base transceiver stations construction totaling $7,603,888, which will be paid in the future or paid by issuing promissory notes and commercial paper.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. The Company issued $6,200,000 Second unsecured corporate bonds, as approved by the regulatory authority on December 30, 2019. The capital has been raised and bonds have been issued on OTC on January 9, 2020.

B. On February 7, 2020, the board of directors of the Group approved to set up a joint venture with a subsidiary of Yulon Group, Hua-Chuang Automobile Information Technical Center Co., Ltd., to develop automobile related business. The Group contributed $7,944,000 and held 51% equity of the joint venture.

C. Due to the impact of the spread of Covid-19, the Group postponed the plans to resume the production of its plants in China to March 30, 2020 in line with the local regulations. As the coronavirus epidemic continues to evolve, the Group has prudently and flexibly adjusted the Group's resources, labour and supply chain to mitigate the impact on its operations. The extent to which the Group's operating revenue is affected by the delay of production resumption depends on the subsequent control of coronavirus epidemic situation.

12. OTHERS

(1) Capital management

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

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio at 70% or below.

(2) Financial instruments

A. Financial instruments by category

Please refer to the consolidated balance sheets and Note 6 for the amounts and details of the financial assets (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, accounts receivable (including related parties) and other receivables) and financial liabilities (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables, short-term loans, long-term loans and corporate bonds payable).

B. Financial risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.

ii. As for market risk, the goal is to optimize its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.

iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.

iv. For the information on the derivative financial instruments that the Group enters into, please refer to Note 6(2).

(c) Management system:

i. Risk management is executed by the Group's finance department by following policies approved by the Board. Through cooperation with the Group's operating units, finance department is responsible for identifying, evaluating and hedging financial risks.

ii. The Board has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) Nature:

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

a. Foreign exchange risk arises from different exchange rates to functional currency as the invoice dates of accounts receivable and payable denominated in non-functional foreign currency are different. Due to the characteristics of the subcontracting industry, the Company's revenue and expenditures are mostly denominated in foreign currency. Thus, the remaining net foreign exchange risk is not material after offsetting assets and liabilities. Furthermore, although the variations in currencies of the Company's certain foreign investments in emerging countries (i.e. Brazil, Mexico, etc.) are considered huge, the percentage of the investments is not significant and thus the Company's foreign exchange risk can be maintained in the controllable range. (Note: The Group has several sites in various countries and thus is exposed to various foreign exchange risks. The main risk arises from USD and RMB.)

b. Except for the above transactions (operating activities) recognised in the income statement, assets and liabilities recognised in the balance sheet and the net investment in foreign operations also result in the exchange rate risk.

(ii) Management:

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

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

(iii) The source:

a. U.S. dollar and NT dollar:

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

b. U.S. dollar and RMB:

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

c. JPY and U.S. dollar:

Foreign exchange risk arises primarily from yen-denominated loans, accounts payable and other payables, which results in exchange loss or gain when they are converted into U.S. dollar.

d. JPY and NT dollar:

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

(iv) Extent

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

	December 31, 2019				
				Sensitivity analysis	
(Foreign currency: Functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
USD : NTD	$ 15,262,225	29.98	$ 457,561,506	1%	$ 4,575,615
USD : RMB	29,249,562	6.9638	876,901,869	1%	8,769,019
JPY : USD	91,298,663	0.0092	25,198,431	1%	251,984
JPY : NTD	86,240,866	0.2760	23,802,479	1%	238,025
Net effect in consolidated entities with foreign currency					
USD : NTD	$ 44,243,649	29.98	$ 1,326,424,597		
Financial liabilities					
Monetary items					
USD : NTD	$ 11,994,176	29.98	$ 359,585,396	1%	$ 3,595,854
USD : RMB	16,165,597	6.9638	484,644,598	1%	4,846,446
JPY : USD	59,940,153	0.0092	16,543,482	1%	165,435
JPY : NTD	602,063	0.2760	166,169	1%	1,662

	December 31, 2018				
				Sensitivity analysis	
(Foreign currency: Functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss
Financial assets					
Monetary items					
USD : NTD	$ 13,564,450	30.72	$ 416,699,904	1%	$ 4,166,999
USD : RMB	23,842,540	6.8682	732,442,829	1%	7,324,428
JPY : USD	45,494,070	0.0091	12,656,450	1%	126,565
JPY : NTD	177,078,134	0.2782	49,263,137	1%	492,631
Net effect in consolidated entities with foreign currency					
USD : NTD	$ 41,275,625	30.72	$ 1,267,987,200		
Financial liabilities					
Monetary items					
USD : NTD	$ 12,594,781	30.72	$ 386,911,672	1%	$ 3,869,117
USD : RMB	26,947,997	6.8682	827,842,468	1%	8,278,425
JPY : USD	56,944,665	0.0091	15,842,006	1%	158,420
JPY : NTD	1,883,255	0.2782	523,922	1%	5,239

(v) Total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $4,509,384 and $8,223,722, respectively.

ii. Equity securities

(i) Nature

The Group primarily invests in domestic and foreign publicly traded equity instruments, which are accounted for as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

(ii) Extent

If such equity instruments' price rise or fall by 1%, with all other factors held constant, the impact on equity due to investments in equity instruments measured at fair value through other comprehensive income, and investments in equity at fair value through profit or loss are $815,515 and $887,193 for the years ended December 31, 2019 and 2018, respectively.

iii. Futures

(i) Nature

The Group is exposed to commodity price risk because of future commodity price fluctuations.

(ii) Extent

The Group sets stop-loss amount to reduce its futures market risk whenever futures contracts are entered into. As a result, there is no significant futures market risk.

iv. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term loans or corporate bonds with floating rates. The Company's long-term corporate bonds with fixed interest rates do not have interest rate risk or fair value interest rate risk.

Long-term loans or corporate bonds with floating rates expose the Group to cash flow interest rate risk, but most of the risks are offset by cash and cash equivalents with variable interest rates.

(b) Credit risk

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

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments. The counterparties are banks with good credit quality and financial institutions with investment grade or above and government agencies, so there is no significant compliance concerns and credit risk.

ii. The Group assumes that if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 360 days, a default has been occurred.

iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) Default or delinquency in interest or principal repayments;

(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

iv. The aging analysis of notes receivable and accounts receivable (including related parties) is as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 1,001,387,391	$ 1,015,332,780
Up to 90 days	24,455,224	36,344,306
91 to 180 days	4,753,352	5,849,650
181 to 270 days	2,567,063	1,722,268
271 to 360 days	1,172,202	560,655
Over 361 days	3,505,105	2,475,697
	$ 1,037,840,337	$ 1,062,285,356

The above aging analysis is based on days overdue.

v. The Group applies the following approaches to assess the expected credit losses (ECLs) of accounts receivable:

(i) Assess the ECLs on an individual basis if a significant default has occurred to certain customers.

(ii) Classify the other customers' accounts receivable based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.

(iii) Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.

(iv) As of December 31, 2019 and 2018, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2019						
Expected loss rate	100%	0.03%	0.07%	0.01%~7.05%	0.02%~69.03%	
Total book value	$ 4,318,769	$ 754,159,158	$ 216,730,417	$ 23,888,891	$ 38,743,102	$ 1,037,840,337
Loss allowance	$ 4,318,769	$ 217,984	$ 145,002	$ 384,193	$ 741,347	$ 5,807,295

	Individual	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2018						
Expected loss rate	100%	0.03%	0.07%	1.22%~9.33%	1.45%~25.11%	
Total book value	$ 2,863,081	$ 690,282,724	$ 283,134,676	$ 24,737,003	$ 61,267,872	$ 1,062,285,356
Loss allowance	$ 2,863,081	$ 203,025	$ 198,158	$ 405,132	$ 1,079,540	$ 4,748,936

Group 1: Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit policies for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch's rating of BBB, Moody's rating of Baa, or rated as B or C in accordance with the Group's credit policies for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch's rating of BB + and below, or Moody's rating of Ba1 and below.

Group 4: Rated as other than A, B, or C in accordance with the Group's credit policies for those that have no external credit ratings.

vi. As of December 31, 2019 and 2018, the Group assessed the impairment loss arising from loans to related parties and other receivables-related parties and recognised allowance for uncollectible accounts at $1,126,083 and $530,749, respectively.

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable (including related parties) is as follows:

	2019	2018
At January 1	$ 4,748,936	$ 4,559,395
Impairment loss	1,281,326	195,147
Effect of foreign exchange	(222,967)	(5,606)
At December 31	$ 5,807,295	$ 4,748,936

(c) Liquidity risk

i. Cash flow forecasting is performed by each operating entity of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Bonds payable	$ 38,546,364	$ 41,688,000	$ 96,026,436	$ 38,536,000	$ 214,796,800
Long-term loans	14,553,911	13,713,380	19,357,935	8,551,745	56,176,971
Lease liabilities	7,131,038	6,112,704	8,416,686	6,451,935	28,112,363
	$ 60,231,313	$ 61,514,084	$ 123,801,057	$ 53,539,680	$ 299,086,134

December 31, 2018	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Bonds payable	$ 11,000,000	$ 38,701,408	$ 94,055,312	$ 47,036,880	$ 190,793,600
Long-term loans	317,391	8,512,909	20,642,947	7,352,814	36,826,061
Finance lease payable	137,415	104,304	265,062	1,071,140	1,577,921
	$ 11,454,806	$ 47,318,621	$ 114,963,321	$ 55,460,834	$ 229,197,582

Beside those mentioned above, other non-derivative financial liabilities are to be settled within one year.

Derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Forward exchange contracts	$ 43,180	$ -	$ -	$ -	$ 43,180
Cross currency swap contracts	1,838,505	-	-	-	1,838,505
	$ 1,881,685	$ -	$ -	$ -	$ 1,881,685

December 31, 2018	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
Forward exchange contracts	$ 236,633	$ -	$ -	$ -	$ 236,633
Cross currency swap contracts	414,793	-	-	-	414,793
Convertible bonds payable	-	-	-	22,835	22,835
	$ 651,426	$ -	$ -	$ 22,835	$ 674,261

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(12).

C. Financial instruments not measured at fair value:

(a) Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortised cost (excluding bank debentures), short-term loans, notes and accounts payable, other payable and long-term loans approximate to their fair values

	December 31, 2019			
		Fair Value		
	Book Value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$214,796,800	$ -	$ 210,235,461	$ -

	December 31, 2018			
		Fair Value		
	Book Value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$190,793,600	$ -	$ 185,311,327	$ -

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

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

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 and 2018 is as follows:

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity instruments	$ 12,744,243	$ -	$ -	$ 12,744,243
Beneficiary certificates	639,411	268	63,546,321	64,186,000
Derivatives	-	8,682,531	-	8,682,531
Financial assets at fair value through other comprehensive income				
Equity instruments	45,226,243	-	23,580,974	68,807,217
Accounts receivable expected factoring	-	108,993,188	-	108,993,188
	$ 58,609,897	$117,675,987	$ 87,127,295	$263,413,179
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivatives	$ -	($ 1,881,685)	$ -	($ 1,881,685)

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity instruments	$ 22,084,880	$ -	$ -	$ 22,084,880
Beneficiary certificates	454,358	1,539,199	50,865,667	52,859,224
Derivatives	-	4,959,751	-	4,959,751
Financial assets at fair value through other comprehensive income				
Equity instruments	40,019,663	497,579	26,117,153	66,634,395
Accounts receivable expected factoring	-	102,651,635	-	102,651,635
	$ 62,558,901	$109,648,164	$ 76,982,820	$249,189,885
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivatives	$ -	($ 674,261)	$ -	($ 674,261)

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

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
At January 1	$ 76,982,820	$ -
Adjustment for retrospective application and retrospective restatement	-	49,320,165
Gains and losses recognised in profit or loss	(6,247,376)	3,993,763
Gains and losses recognised in other comprehensive income	(5,302,440)	1,888,898
Acquired in the year	22,679,505	26,788,467
Sold in the year	(87,708)	(1,887,255)
Transfer in to Level 3	40,196	54,292
Transfer out of Level 3	-	(5,291,030)
Effect of exchange rate changes	(937,702)	2,115,520
At December 31	$ 87,127,295	$ 76,982,820

G. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment segment sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensures compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 408,733	Market comparable companies	Revenue multiple	0.53~9.28 (2.05)	The higher the revenue multiple, the higher the fair value; the higher the discount for lack of marketability.
			Value to EBITA multiple	12.53~19.42 (15.73)	
			Net value multiple	1.8	
			Discount for lack of marketability	15%~35% (23.58%)	

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 15,026,251	Stock value in complex capital structure	Weighted average cost of capital	14.61%~15.52% (14.79%)	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and weighted average cost of capital, the lower the fair value. The higher the revenue multiple, the higher the fair value.
			Long-term revenue growth rate	2%	
			Long-term pre-tax operating margin	25.53%~29.72% (28.52%)	
			Discount for lack of marketability	5%~35% (18.12%)	
			Discount for lack of control	10%~15% (14.6%)	
			Expected equity value volatility	23.68%~110.82% (42.11%)	
			Value to operating income ratio multiple	0.28~12.75 (2.46)	
			Value to EBITA multiple	6.7	
	$ 6,302,878	Recent non-active market price	Not applicable	Not applicable	Not applicable
Venture capital shares and private equity fund investment	$ 65,389,433	Net assets value	Discount for lack of marketability	4.49%~10% (4.85%)	Lack of marketability, discount for lack of control.
			Discount for lack of control	3.97%~15% (4.62%)	

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 41,806	Discounted cash flow	Weighted average cost of capital	18.27%	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and weighted average cost of capital, the lower the fair value.
			Long-term revenue multiple growth rate	2%	
			Long-term pre-tax operating margin	4.31%	
			Discount for lack of marketability	15%	
			Discount for lack of control	15%	
			Expected equity value volatility	0%	
Unlisted shares	$ 4,714,838	Market comparable companies	Revenue multiple	0.40~6.14 (1.74)	The higher the revenue multiple, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and expected equity value volatility, the lower the fair value.
			Value to EBITA multiple	20.01	
			Value to operating income ratio multiple	7.06	
			Net value multiple	1.43	
			Discount for lack of marketability	20%~35% (29%)	
			Expected equity value volatility	29.91%	

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 12,373,276	Stock value in complex capital structure	Weighted average cost of capital	11.86%~15.97% (14.23)	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value; the higher the discount for lack of marketability, discount for lack of control and weighted average cost of capital, the lower the fair value. The higher the revenue multiple, the higher the fair value.
			Long-term revenue growth rate	2%	
			Long-term pre-tax operating margin	10%~21% (18.53%)	
			Discount for lack of marketability	5%~20% (13.45%)	
			Discount for lack of control	5%~15% (12.88%)	
			Expected equity value volatility	25.82%~62% (43.93%)	
			Revenue multiple	0.57~6.76 (1.99)	
Unlisted shares	$ 7,428,132	Recent non-active market price	Not applicable	Not applicable	Not applicable
Venture capital shares and private equity fund investment	$ 52,424,768	Net assets value	Discount for lack of marketability	5%~30% (5.75%)	Lack of marketability, discount for lack of control.
			Discount for lack of control	4.52%~15% (5.10%)	

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

	Input	Change	December 31, 2019 Recognised in profit or loss Favourable change	Unfavourable	Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets						
Equity instruments and derivatives	$87,127,295	±1%	$ 635,463	($ 635,463)	$ 235,810	($ 235,810)

	Input	Change	December 31, 2018 Recognised in profit or loss Favourable change	Unfavourable	Recognised in other comprehensive income Favourable change	Unfavourable change
Financial assets						
Equity instruments and derivatives	$76,982,820	±1%	$ 508,657	($ 508,657)	$ 261,172	($ 261,172)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The Company appointed Foxconn (Far East) Limited’s Mainland investee to render processing services and to trade. The transactions were eliminated in the consolidated financial statements. For significant transactions of processing services, trading, receivables and payables, endorsements and guarantees or collaterals provided, and financing, please refer to Note 13(1) A, B, G and H.

14. SEGMENT INFORMATION

(1) General information

The Group has adopted eCMMS (E-enabled Components, Modules, Moves & Services) strategy, and provided a one-stop shop to its customers, which are primarily in the 3C industries, with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Group segregates operating segments from both a customer service and product perspective.

In accordance with IFRS No. 8, “Operating Segments”, the Group has determined the operating segments and reportable operating segments. Operating segments which have met certain quantitative threshold are disclosed individually or aggregately as reportable operating segments; other segments which have not met the quantitative threshold are included in the ‘all other segments’. The Group has identified the electronic manufacturing integrated services department, which provides global 3C production-related one-stop services, as a reportable operating segment.

(2) Measurement of segment information

The chief operating decision maker assesses performance and allocates resources of the operating segments based on each operating segment’s revenue and operating income after adjusting the internal costs and allocated expenses. Except for the recognition of internal costs which shall be in accordance with the Group’s related internal calculation basis, the operating segments’ accounting policies are the same as disclosed in Note 4.

(3) Segment information

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

	For the year ended December 31,			
	2019		2018	
	Electronic Manufacturing Integration Service		Electronic Manufacturing Integration Service	
Net external revenue	$	5,114,320,217	$	5,273,895,415
Revenue from internal customers		307,961,623		423,626,460
Segment revenue	$	5,422,281,840	$	5,697,521,875
Segment profit	$	151,924,612	$	167,209,748

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2019 and 2018 is provided as follows:

	For the year ended December 31,			
Operating revenue	2019		2018	
Total reported segment revenue	$	5,422,281,840	$	5,697,521,875
Other operating segment revenue		73,929,968		89,433,948
Elimination of intersegment revenue	(	153,400,813)	(	493,152,801)
Total revenue	$	5,342,810,995	$	5,293,803,022

	For the year ended December 31,			
Profit and loss	2019		2018	
Profit of reported segment	$	151,924,612	$	167,209,748
Profit of other operating segments		7,120,189		4,874,435
Elimination of intersegment transactions and internal costs and allocated expenses adjustments		4,833,146	(	1,832,741)
Profit before income tax	$	163,877,947	$	170,251,442

(5) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	$ 1,743,726,612	$ 17,469,867	$ 1,692,766,016	$ 17,512,767
Ireland	1,423,594,027	1,201	1,410,761,933	272
China	560,194,840	271,073,387	536,235,918	253,572,680
Singapore	501,088,752	7,780	494,639,862	2,692,925
Japan	196,914,882	399,603	149,205,490	17,740
Taiwan	110,917,511	49,882,132	212,859,102	12,208,072
Others	806,374,371	57,085,187	797,334,701	54,559,632
	$ 5,342,810,995	$ 395,919,157	$ 5,293,803,022	$ 340,564,088

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	For the year ended December 31,	
	2019	2018
	Revenue (in million)	Revenue (in million)
Client E	$ 2,680,870	$ 2,612,695

REGISTERED AND HEAD OFFICE OF THE COMPANY

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Tu-cheng, New Taipei City
236, Taiwan
ROC

TRUSTEE

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One Bay East
83 Hoi Bun Road, Kwun Tong,
Kowloon, Hong Kong

REGISTRAR AND PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT

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