Report to Shareholders

The speed of information sharing accelerates as technology advances rapidly, while convenient transportation and highly effective logistics further prompt new introduction of innovative applications and services. Such phenomenon has reshaped consumer behavior and business models overnight. With the trend of globalization, there’s no more boundary between knowledge sharing and competition in business operations. Developed countries face challenges from low growth rate, while emerging countries continue to face geopolitical risks. On top of that, various issues also intensify market competition including global climate changes, stricter labor regulations and rising wages. Corporates must create greater value in order to tackle numerous challenges ahead.

Year 2018 marks the 30th anniversary for Quanta Computer, we are fortunate to have accumulated strong foundation from years of hard working. However, market dynamic changes rapidly that the challenges we face today in businesses operation are much tougher compared to the challenges we faced during startup stage due to lack of experiences and resources. When facing new competition and market dynamics, we believe firmly in our ideology of “Innovation, Change and Transcend”, leveraging our positive attitude to tackle challenges ahead through continuous exploration and strong desire to excel. We believe doing so would further sharpen our competitiveness and result in stronger business performance.

Quanta’s performance for FY2017 and outlook for FY2018 are as follows:

I. Revenue and Income

Full year revenue resumed one trillion milestone with the consolidated revenue reported at NT$1,021BN in FY2017. Representing 14.2% year-over-year growth compared to NT$894BN revenue reported in FY2016. Net income after tax in FY2017 and FY2016 was NT$14.5BN and NT$15.4BN respectively. Net income attributable to owners of parent in FY2017 and FY2016 was NT$14.4BN and NT$15.1BN respectively. EPS in FY2017 was NT$3.73, while non-operating income was NT$2.5BN.

In response to technology advancement and labor constraint in production, Quanta continues to promote automation in manufacturing process. As we continue to upgrade manufacturing equipment and to increase adoption of automation, our production expertise is further advanced, the need for labor resources is condensed and overall work efficiency is therefore accelerated. With great efforts contributed from the entire company, we made great progress and initiated over 250 projects in automation in year 2017.

From the perspective of business operation, we continue to introduce innovative technology and launch new products in response to current market trend towards greater product variety at lesser volume. Through implementation of data analytic tools in business operation and adoption of automated production, detailed management, shortened production, simplified operation flow and effective cost control, Quanta is able to remain responsive and flexible when facing industry dynamics from integration of different technologies. Hence, we are able to sustain steady growth and development for the Company.

II. Outlook in 2018

Thirty-year anniversary marks an important milestone for Quanta, the Company will continue to follow our tradition to focus on our core business and to stay ahead of competition. By ways of dedicating efforts in developing advanced technology and improving quality and performance of high efficiency servers, we thus are able to ensure sustainable growth rate for cloud related business. Furthermore, we also devote additional resources in product development and technology integration in other IoT (Internet of Things) areas, including Virtual Reality (VR), Augmented Reality (AR), and Mixed Reality (MR) to further expand our businesses into new verticals and markets. Moreover, we are also developing innovative technology to
provide integrated solutions, extending AI applications and services into medical fields to further diversify and explore new market opportunities.

Quanta has been pushing strongly for Q-Factory (Industrial 4.0) infrastructure building and continue to advance our manufacturing technology, to raise automation standard and to solidify our leadership position in manufacturing capabilities. To take one step further, Quanta began the initiation of “Happy Factory” to build the strong bond between employees and the Company. Specific action plans are as follows:

- **Boost R&D Capabilities** —
  Focus on R&D capabilities in Taiwan and continue to invest locally. To cultivate and nurture R&D talent pools and to strengthen capabilities in new product development, we thus are able to better respond to fast changes in new technology advancement. Doing so enables Quanta to quickly capture fast growing opportunities from cloud applications to Big Data and AI.

- **Deepened Detailed Management** —
  “Management” itself is a piece of art, yet “Detailed Management” is an attitude that requires individuals to pay great attention to details and reach execution excellence. Detailed Management is essential to an international company like Quanta Computer with employees spread across the world. Through quality control, production management, cost control management and employee management, we strive to manage every aspect in detail to excel in business execution.

- **Implementation of Smart Factory “Q-Factory”** —
  Adoption of automated production not only shortens manufacturing process, simplifies work flow, but also further lowers production costs. As manufacturing equipment are upgraded, production technologies are further enhanced and various systems are gradually integrated, Quanta is one step closer to our target of establishing smart factory, “Q-Factory”.

  The implementation of Q-Factory is achieved through the adoption of QEMS, Quanta Equipment Management System, and QPMS, Quanta Production Management System. With information collected and data analyzed through big data platforms, we were able to establish Quanta smart factory and move towards our goal of Industrial 4.0. As a result, Quanta’s competitive edge and core corporate value are further accelerated to the next level.

- **Be the “Best Place to Work For”** —
  Happy employees build the most fundamental foundation for any company’s competitive edge. Company with high efficiency is made possible only when employees feel the sense of belonging and are willing to proactively devote themselves into the work they do. Quanta is dedicated in creating a healthy work environment through the development of various welfare programs and on-line employee feedbacks system. We provide professional assistance and resources to employees on work supports and personal consultation. Furthermore, we thoroughly designed a “Happy Index” to re-enforce people management from multiple aspects. Doing so, we believe employee satisfaction and happiness are encouraged, creating a win-win relationship for both employees and the Company.
Strict cost control —
Uncertainties from the rise of labor costs, increased awareness of environmental protection and volatility of component prices all challenge enterprises’ capability to better manage costs. At Quanta, we award innovative design wins, focus on organizational optimization, promote simplified work flow, implement automation process in testing, packaging and logistics. Our strict cost control policy has enabled us to reduce man power, to minimize waste and to further optimize Company’s profitability.

Looking ahead, Quanta will continue to follow our corporate value of “Truthfulness, Kindness and Beauty” as well as “Honesty, Trust and Caring”. The Company will continue to “Innovate, Change and Transcend.” Leveraging our core competence of innovative R&D capabilities to provide high quality manufacturing services, to create value for our customers and to seek win-win and sustainable partnerships. We strive to deliver strong and solid results as ways of appreciation to our shareholders and employees for their long-term supports.

Chairman: Barry Lam
Vice Chairman & President: C.C. Leung
Chief Financial Officer: Elton Yang
* Note 1: Ownership is 100% unless otherwise specified.
* Note 2: FaceVsion Technology Inc. filed for liquidation on March, 2018.
* Note 3: ThinkTech Ind. E Com. DE Informatica SA applied for name change to THINKTECH COMÉRCIO DE INFORMÁTICA LTDA on October, 2017.
* Note: ownership is 100% unless otherwise specified
* Note: Ownership is 100% unless otherwise specified
To the Board of Directors of Quanta Computer Inc.:

Opinion

We have audited the consolidated financial statements of Quanta Computer Inc. and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

   Please refer to Note (4)(q) for accounting policies of revenue recognition.

   Description of the key audit matter:

   The Group engages primarily in the manufacturing, processing, and sales of laptop computers and telecommunication products. Varying transaction terms will cause different timing for risks and rewards of products’ ownership being transferred. Therefore, the timing for revenue recognition has been identified as a key audit matter.
How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over revenue recognition; understanding the Group’s main sources of revenues, contract provisions, and transaction terms to evaluate the adequacy of revenue recognition period; applying computer audit for selected samples to evaluate whether the data collected from external system is consistent with those input to the internal system; and analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition, and to further inspect related transaction document to ensure that the revenue is recorded in the appropriate period.

2. Allowance for Inventory Valuation and Obsolescence Losses

Please refer to Note (4)(h), Note (5), and Note (6)(d) for accounting policies, accounting assumptions and estimation uncertainty, and related disclosure information for inventory, respectively.

Description of the key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include selecting samples to examine their net realizable values to verify the accuracy of inventory aging; evaluating the reasonableness of the Group’s inventory valuation policy and the management’s assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Group’s historical accuracy of judgments with reference to inventory valuation and compare them with the current year’s calculation to evaluate the appropriateness of the estimation and assumption used for inventory valuation; and evaluating the adequacy of the Group’s disclosure for inventories.

3. The agreements of financial assets and liabilities offsetting

Please refer to Note (4)(g) and (6)(j) for accounting policy and detailed information on the agreements of financial assets and liabilities offsetting.

Description of the key audit matter:

The Group has financial assets and liabilities offsetting agreements with financial institutions. Since whether the accounting treatment and disclosure of the agreements complied with the accounting standards or not will materially affect the financial statements, the said matter has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over assets and liabilities offsetting; acquiring the offsetting agreements and inspecting the contractual terms to determine whether the accounting treatment used is in compliance with the related accounting standards; and evaluating the adequacy of the Group’s disclosure for financial assets and liabilities offsetting.
Other Matter

Quanta Computer Inc. has additionally prepared its parent-company-only financial statements for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 members of the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditor’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 an auditor’s 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 auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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 control.

2. 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 control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. 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 auditors’ 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 auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. 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.

6. 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 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 auditors’ 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.

The engagement partners on the audit resulting in this independent auditors’ report are Wan-Wan Lin and Liu-Fong Yang.

KPMG
Taipei, Taiwan (Republic of China)
March 26, 2018

Notes to Readers
The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ report and consolidated financial statements, the Chinese version shall prevail.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

(Amounts expressed in thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
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<td>Short-term borrowings</td>
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<td>231,704,369</td>
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<td>3,272</td>
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<td>122,185,864</td>
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<td>3,427,624</td>
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<td>377,446,459</td>
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<td>472,741,649</td>
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<td>Non-current assets:</td>
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<td>Total Liabilities:</td>
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<td>1523</td>
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<td>1,215,220</td>
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<td>1,198,578</td>
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<td>817,133</td>
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<td>55,903,652</td>
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<td>TOTAL ASSETS</td>
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<td>$597,456,061</td>
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<td>$531,875,692</td>
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<td>Equity attributable to owners of parent:</td>
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<td>TOTAL LIABILITIES AND EQUITY</td>
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<td>138,788,471</td>
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<td>137,715,825</td>
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~12~
(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
QUANTA COMPUTER INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<table>
<thead>
<tr>
<th>For the Years Ended December 31</th>
<th>2017</th>
<th>%</th>
<th>2016</th>
<th>%</th>
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<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
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<tr>
<td>4000   Operating revenue</td>
<td>1,021,582,900</td>
<td>100</td>
<td>893,982,291</td>
<td>100</td>
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<tr>
<td>5000   Operating costs</td>
<td>975,530,673</td>
<td>95</td>
<td>847,288,696</td>
<td>95</td>
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<tr>
<td>5910   Gross profit from operations</td>
<td>45,652,227</td>
<td>5</td>
<td>46,593,688</td>
<td>5</td>
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<tr>
<td>5920   Less: Unrealized profit from sales</td>
<td>1,361</td>
<td></td>
<td>2,220</td>
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<tr>
<td>Add: Realized profit on sales</td>
<td>2,220</td>
<td></td>
<td>2,295</td>
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<tr>
<td>6100   Operating expenses</td>
<td>45,653,186</td>
<td>5</td>
<td>46,596,261</td>
<td>5</td>
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<tr>
<td>6110   Selling expenses</td>
<td>6,919,664</td>
<td>1</td>
<td>7,662,895</td>
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<tr>
<td>6200   Administrative expenses</td>
<td>8,396,463</td>
<td>1</td>
<td>8,630,644</td>
<td>1</td>
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<tr>
<td>6300   Research and development expenses</td>
<td>12,780,794</td>
<td>1</td>
<td>11,705,468</td>
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<tr>
<td>7000   Non-operating income and expenses</td>
<td>24,097,221</td>
<td>3</td>
<td>27,089,907</td>
<td>3</td>
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<tr>
<td>7100   Other income</td>
<td>5,376,335</td>
<td></td>
<td>3,775,891</td>
<td></td>
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<tr>
<td>7120   Interest expenses</td>
<td>(4,912,720)</td>
<td></td>
<td>(2,272,330)</td>
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<tr>
<td>7200   Other gains and losses, net</td>
<td>1,320,113</td>
<td></td>
<td>(217,311)</td>
<td></td>
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<tr>
<td>7201   Share of profit (loss) of associates and joint ventures accounted for using equity method</td>
<td>7,999</td>
<td></td>
<td>(31,001)</td>
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<tr>
<td>7300   Profit before tax</td>
<td>12,605,365</td>
<td>2</td>
<td>19,105,314</td>
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<td>7920   Less: Tax expenses</td>
<td>20,097,092</td>
<td>2</td>
<td>20,540,575</td>
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<tr>
<td>8200   Profit</td>
<td>5,581,333</td>
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<td>4,510,141</td>
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<tr>
<td>8310   Other comprehensive income</td>
<td>14,315,360</td>
<td>1</td>
<td>13,410,434</td>
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<tr>
<td>8311   (Less) gains on remeasurement of defined benefit plans</td>
<td>(71,277)</td>
<td></td>
<td>53,309</td>
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<tr>
<td>8340   Income tax related to components of other comprehensive income that will not be reclassified to profit or loss</td>
<td>11,905</td>
<td></td>
<td>(8,324)</td>
<td></td>
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<tr>
<td>8360   Component of other comprehensive income that will be reclassified to profit or loss</td>
<td>(15,932)</td>
<td></td>
<td>44,475</td>
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<tr>
<td>8351   Exchanges differences on translation</td>
<td>(1,606,472)</td>
<td></td>
<td>(1,141,410)</td>
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<tr>
<td>8361   Unrealized gains on valuation of available-for-sale financial assets</td>
<td>110,674</td>
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<td>758,713</td>
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</tr>
<tr>
<td>8370   Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss</td>
<td>17,157</td>
<td></td>
<td>(157,107)</td>
<td></td>
</tr>
<tr>
<td>8399   Income tax related to components of other comprehensive income that will be reclassified to profit or loss</td>
<td>160</td>
<td></td>
<td>(7,783)</td>
<td></td>
</tr>
<tr>
<td>8460   Component of other comprehensive income that will be reclassified to profit or loss</td>
<td>(1,478,331)</td>
<td></td>
<td>(584,977)</td>
<td></td>
</tr>
<tr>
<td>8500   Other comprehensive income, net</td>
<td>(1,527,960)</td>
<td></td>
<td>(529,122)</td>
<td></td>
</tr>
</tbody>
</table>

Total comprehensive income for the year: 12,577,489
Profit attributable to:
8610 Profit attributable to owners of parent: 14,367,092
8620 Profit attributable to non-controlling interests: (48,470)

Comprehensive income attributable to:
8710 Comprehensive income attributable to owners of parent: 13,869,253
8720 Comprehensive income attributable to non-controlling interests: (93,984)

Earnings per share attributable to parent company:
9750 Basic earnings per share (NT dollars): 8.71
9850 Diluted earnings per share (NT dollars): 8.70
(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE)
QUANTA COMPUTER INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Owners’ Equity Attributable to Equity Holders of the Parent Company

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Exchange Differences on Translation of Foreign Financial Statements</th>
<th>Unrealized Gains (Losses) on Avesale of Available-for-Sale Financial Assets</th>
<th>Treasury Shares</th>
<th>Total Equity Attributable to Owners of Parent</th>
<th>Non-Controlling Interests</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary Share</strong></td>
<td><strong>Capital Surplus</strong></td>
<td><strong>Legal Reserve</strong></td>
<td><strong>Special Reserve</strong></td>
<td><strong>Unappropriated Retained Earnings</strong></td>
<td><strong>Available-for-Sale Financial Assets</strong></td>
<td><strong>Total Equity</strong></td>
</tr>
<tr>
<td>Balance as of January 1, 2016</td>
<td>$30,826,274</td>
<td>14,042,568</td>
<td>26,099,048</td>
<td>2,941,181</td>
<td>54,823,191</td>
<td>6,216,352</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,148,164</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,558</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,191,720</td>
</tr>
<tr>
<td>Appropriation and distribution of retained earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve appropriated</td>
<td>-</td>
<td>-</td>
<td>1,782,713</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special reserve appropriated</td>
<td>-</td>
<td>-</td>
<td>1,482,634</td>
<td>(1,482,634)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends of ordinary share</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment of capital surplus for company’s cash dividends received by subsidiaries</td>
<td>-</td>
<td>-</td>
<td>11,227</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in ownership in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(75,904)</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as of December 31, 2016</td>
<td>$30,826,274</td>
<td>14,053,893</td>
<td>26,748,759</td>
<td>4,425,795</td>
<td>52,089,656</td>
<td>5,109,127</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,867,092</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(81,330)</td>
<td>(1,183,645)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,785,762</td>
<td>(1,136,441)</td>
</tr>
<tr>
<td>Appropriation and distribution of retained earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve appropriated</td>
<td>-</td>
<td>-</td>
<td>1,513,816</td>
<td>-</td>
<td>(1,513,816)</td>
<td>-</td>
</tr>
<tr>
<td>Special reserve appropriated</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>227,634</td>
<td>(227,634)</td>
<td>-</td>
</tr>
<tr>
<td>Cash dividends of ordinary share</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other changes in capital surplus:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in equity of associates and joint ventures accounted for using equity method</td>
<td>-</td>
<td>-</td>
<td>8,424</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment of capital surplus for company’s cash dividends received by subsidiaries</td>
<td>-</td>
<td>-</td>
<td>10,433</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in ownership in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>(15)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as of December 31, 2017</td>
<td>$30,826,274</td>
<td>14,072,746</td>
<td>26,263,676</td>
<td>4,769,829</td>
<td>63,010,273</td>
<td>2,726,479</td>
</tr>
</tbody>
</table>
# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

## Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Profit before tax</th>
<th>For the Years Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
</tbody>
</table>

### Adjustments:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td>5,832,988</td>
<td>6,261,400</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>1,032,152</td>
<td>1,065,605</td>
</tr>
<tr>
<td>Provisions for bad debt expense</td>
<td>240,921</td>
<td>440,981</td>
</tr>
<tr>
<td>Net (gain) loss on financial assets or liabilities at fair value through profit or loss</td>
<td>(15,190)</td>
<td>9,216</td>
</tr>
<tr>
<td>Interest expense</td>
<td>4,012,720</td>
<td>2,272,338</td>
</tr>
<tr>
<td>Interest income</td>
<td>(5,664,471)</td>
<td>(3,578,467)</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(311,864)</td>
<td>(197,424)</td>
</tr>
<tr>
<td>Share of (gain) loss of associates and joint ventures accounted for using equity method</td>
<td>(7,395)</td>
<td>51,901</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>260,059</td>
<td>442,970</td>
</tr>
<tr>
<td>Property, plant and equipment transferred to expenses</td>
<td>7</td>
<td>30,479</td>
</tr>
<tr>
<td>(Gain) loss on disposal of intangible assets</td>
<td>(11)</td>
<td>498</td>
</tr>
<tr>
<td>Gain on disposal of investments</td>
<td>(76,573)</td>
<td>(211,421)</td>
</tr>
<tr>
<td>(Loss) gain on disposal of subsidiaries</td>
<td>9,897</td>
<td>(83,776)</td>
</tr>
<tr>
<td>Loss on disposal of investments accounted for using equity method</td>
<td>819</td>
<td>-</td>
</tr>
<tr>
<td>Impairment loss on financial assets</td>
<td>-</td>
<td>20,470</td>
</tr>
<tr>
<td>Impairment loss (reversal) on non-financial assets</td>
<td>(10,479)</td>
<td>132,651</td>
</tr>
<tr>
<td>Unrealized foreign exchange gain</td>
<td>(818,160)</td>
<td>(619,089)</td>
</tr>
<tr>
<td>Total adjustments to reconcile profit</td>
<td>5,085,616</td>
<td>6,037,441</td>
</tr>
</tbody>
</table>

## Changes in operating assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in operating assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>258,524</td>
<td>(62,715)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(14,359,789)</td>
<td>(11,768,452)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(316,219)</td>
<td>278,989</td>
</tr>
<tr>
<td>Inventories</td>
<td>(20,039,547)</td>
<td>(1,652,555)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>177,848</td>
<td>902,467</td>
</tr>
<tr>
<td>Other current assets</td>
<td>426,495</td>
<td>(1,042,685)</td>
</tr>
<tr>
<td>Total changes in operating assets</td>
<td>(34,052,084)</td>
<td>(13,344,951)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in operating liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>7,342,913</td>
<td>35,166,030</td>
</tr>
<tr>
<td>Other payables</td>
<td>224,107</td>
<td>1,159,428</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>(1,906,874)</td>
<td>(442,278)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(1,765,975)</td>
<td>2,774,751</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>(7,166)</td>
<td>(6,799)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(958)</td>
<td>(1,776)</td>
</tr>
<tr>
<td>Total changes in operating liabilities</td>
<td>3,989,947</td>
<td>38,650,075</td>
</tr>
<tr>
<td>Total changes in operating assets and liabilities</td>
<td>(30,063,641)</td>
<td>25,305,124</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(24,978,025)</td>
<td>31,342,565</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (outflow) inflow generated from operations</td>
<td>(4,880,933)</td>
<td>51,683,140</td>
</tr>
<tr>
<td>Interest received</td>
<td>4,475,166</td>
<td>3,882,703</td>
</tr>
<tr>
<td>Dividends received</td>
<td>315,832</td>
<td>197,424</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(2,440,013)</td>
<td>(2,040,683)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(5,104,417)</td>
<td>(6,728,924)</td>
</tr>
</tbody>
</table>

| Net cash (used in) provided by operating activities                         | (8,834,565)| 46,993,560 |
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016*

*(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)*

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition</td>
<td>5,883,028</td>
<td>4,532,659</td>
</tr>
<tr>
<td>Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition</td>
<td>3,977,576</td>
<td>6,198,186</td>
</tr>
<tr>
<td>Acquisition of available-for-sale financial assets</td>
<td>96,541,467</td>
<td>118,279,721</td>
</tr>
<tr>
<td>Proceeds from disposal of available-for-sale financial assets</td>
<td>105,672,180</td>
<td>131,783,498</td>
</tr>
<tr>
<td>Proceeds from capital reduction of available-for-sale financial assets</td>
<td>42,140</td>
<td>102,190</td>
</tr>
<tr>
<td>Proceeds from disposal of financial assets at cost</td>
<td>-</td>
<td>9,389</td>
</tr>
<tr>
<td>Acquisition of investments accounted for using equity method</td>
<td>55,659</td>
<td>560,620</td>
</tr>
<tr>
<td>Proceeds from disposal of investments accounted for using equity method</td>
<td>-</td>
<td>47,812</td>
</tr>
<tr>
<td>Net cash flow from disposal of subsidiaries</td>
<td>44,264</td>
<td>343,432</td>
</tr>
<tr>
<td>Proceeds from capital reduction of investments accounted for using equity method</td>
<td>139,530</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>5,618,693</td>
<td>4,782,444</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>343,038</td>
<td>400,226</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(337,889)</td>
<td>(197,660)</td>
</tr>
<tr>
<td>Proceeds from disposal of intangible assets</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Increase in other financial assets</td>
<td>(28,990,033)</td>
<td>(122,029)</td>
</tr>
<tr>
<td>Decrease in other financial assets</td>
<td>25,600</td>
<td>2,147,953</td>
</tr>
<tr>
<td>Increase in other non-current assets</td>
<td>(741,484)</td>
<td>(564,685)</td>
</tr>
<tr>
<td>Decrease in other non-current assets</td>
<td>-</td>
<td>25,015</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by investing activities</strong></td>
<td>(27,897,894)</td>
<td>11,909,291</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in short-term loans</td>
<td>61,555,618</td>
<td>51,432,500</td>
</tr>
<tr>
<td>Decrease in short-term loans</td>
<td>(5,409,816)</td>
<td>(13,973,336)</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>-</td>
<td>35,109,432</td>
</tr>
<tr>
<td>Increase in other financial liabilities</td>
<td>11,304</td>
<td>4,968</td>
</tr>
<tr>
<td>Decrease in other financial liabilities</td>
<td>(13,806)</td>
<td>(8,561)</td>
</tr>
<tr>
<td>Increase in other non-current liabilities</td>
<td>1,304</td>
<td>5,541</td>
</tr>
<tr>
<td>Decrease in other non-current liabilities</td>
<td>(309,254)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash dividends paid</strong></td>
<td>(15,784,655)</td>
<td>(14,947,083)</td>
</tr>
<tr>
<td><strong>Change in non-controlling interests</strong></td>
<td>(82,929)</td>
<td>251,419</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>42,217,020</td>
<td>13,054,124</td>
</tr>
</tbody>
</table>

**Effect of exchange rate changes on cash and cash equivalents** | (9,832,511) | (2,364,650) |

**Net (decrease) increase in cash and cash equivalents** | (4,147,748) | 70,172,425 |

**Cash and cash equivalents at beginning of year** | 202,911,112 | 132,738,087 |

**Cash and cash equivalents at end of year** | $188,763,364 | 202,911,112 |

~16~
To the Board of Directors of Quanta Computer Inc.:

Opinion

We have audited the financial statements of Quanta Computer Inc. (“the Company”), which comprise the statement of financial position as of December 31, 2017 and 2016, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

   Please refer to Note (4)(p) for accounting policies of revenue recognition.

   Description of the key audit matter:

   The Company engages primarily in the manufacturing, processing, and sales of laptop computers and telecommunication products. Varying transaction terms will cause different timing for risks and rewards of products’ ownership being transferred. Therefore, the timing for revenue recognition has been identified as a key audit matter.
How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over revenue recognition; understanding the Company’s main sources of revenues, contract provisions, and transaction terms to evaluate the adequacy of revenue recognition period; applying computer audit for selected samples to evaluate whether the data collected from external system is consistent with those input to the internal system; and analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition, and to further inspect related transaction document to ensure that the revenue is recorded in the appropriate period.

2. Allowance for Inventory Valuation and Obsolescence Losses

Please refer to Note (4)(g), Note (5), and Note (6)(d) for accounting policies, accounting assumptions and estimation uncertainty, and related disclosure information for inventory, respectively.

Description of the key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include selecting samples to examine their net realizable values to verify the accuracy of inventory aging; evaluating the reasonableness of the Company’s inventory valuation policy and the management’s assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Company’s historical accuracy of judgments with reference to inventory valuation and compare them with the current year’s calculation to evaluate the appropriateness of the estimation and assumption used for inventory valuation; and evaluating the adequacy of the Company’s disclosure for inventories.

3. The agreements of financial assets and liabilities offsetting

Please refer to Note (4)(f) and (6)(i) for accounting policy and detailed information on the agreements of financial assets and liabilities offsetting.

Description of the key audit matter:

The Company has financial assets and liabilities offsetting agreements with financial institutions. Since whether the accounting treatment and disclosure of the agreements complied with the accounting standards or not will materially affect the financial statements, the said matter has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over assets and liabilities offsetting; acquiring the offsetting agreements and inspecting the contractual terms to determine whether the accounting treatment used is in compliance with the related accounting standards; and evaluating the adequacy of the Company’s disclosure for financial assets and liabilities offsetting.
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 auditing standards generally accepted 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 control.

2. 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 Company’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the 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 auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ 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.

The engagement partners on the audit resulting in this independent auditors’ report are Wan-Wan Lin and Liu-Fong Yang.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2018

Notes to Readers
The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditor’s report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor’s report and financial statements, the Chinese version shall prevail.
ENGLISH TRANSLATION OF FINANCIAL STATEMENTS AND REPORT ORIGINALLY ISSUED IN CHINESE
QUANTA COMPUTER INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017.12.31</th>
<th>%</th>
<th>2016.12.31</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1100 Cash and cash equivalents</td>
<td>$ 61,717,594</td>
<td>15</td>
<td>62,681,858</td>
<td>15</td>
</tr>
<tr>
<td>1110 Current financial assets at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>1,586,174</td>
<td>-</td>
</tr>
<tr>
<td>1120 Current available-for-sale financial assets</td>
<td>32,967,410</td>
<td>8</td>
<td>32,245,830</td>
<td>8</td>
</tr>
<tr>
<td>1170 Accounts receivable, net</td>
<td>130,162,651</td>
<td>32</td>
<td>141,258,788</td>
<td>33</td>
</tr>
<tr>
<td>1180 Account receivable due from related parties, net</td>
<td>57,784,737</td>
<td>15</td>
<td>67,104,874</td>
<td>16</td>
</tr>
<tr>
<td>1200 Other receivables</td>
<td>72,273,892</td>
<td>18</td>
<td>63,121,794</td>
<td>15</td>
</tr>
<tr>
<td>1310 Inventories</td>
<td>44,012,941</td>
<td>11</td>
<td>32,016,027</td>
<td>8</td>
</tr>
<tr>
<td>1470 Other current financial assets</td>
<td>37,982</td>
<td>-</td>
<td>15,022</td>
<td>-</td>
</tr>
<tr>
<td>1479 Other current assets, others</td>
<td>246,717</td>
<td>-</td>
<td>231,966</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 590,962,023</td>
<td>-</td>
<td>$ 599,992,314</td>
<td>-</td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1530 Non-current available-for-sale financial assets</td>
<td>416,553</td>
<td>-</td>
<td>470,373</td>
<td>-</td>
</tr>
<tr>
<td>1550 Investments accounted for using equity method</td>
<td>20,490,279</td>
<td>0</td>
<td>27,690,946</td>
<td>6</td>
</tr>
<tr>
<td>1600 Property, plant and equipment</td>
<td>8,063,124</td>
<td>2</td>
<td>8,084,840</td>
<td>2</td>
</tr>
<tr>
<td>1780 Intangible assets</td>
<td>3,197</td>
<td>-</td>
<td>20,481</td>
<td>-</td>
</tr>
<tr>
<td>1800 Deferred tax assets</td>
<td>3,377,630</td>
<td>1</td>
<td>3,170,366</td>
<td>1</td>
</tr>
<tr>
<td>1920 Other non-current financial assets</td>
<td>9,838</td>
<td>-</td>
<td>6,715</td>
<td>-</td>
</tr>
<tr>
<td>1995 Other non-current assets, others</td>
<td>1,191</td>
<td>-</td>
<td>2,756</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>38,413,188</td>
<td>9</td>
<td>39,433,122</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$ 629,375,211</td>
<td>100</td>
<td>$ 639,425,436</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th>2017.12.31</th>
<th>%</th>
<th>2016.12.31</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2100 Short-term borrowings</td>
<td>$ 110,959,084</td>
<td>25</td>
<td>81,278,445</td>
<td>19</td>
</tr>
<tr>
<td>2110 Accounts payable</td>
<td>28,864,256</td>
<td>6</td>
<td>28,507,881</td>
<td>7</td>
</tr>
<tr>
<td>2120 Accounts payable to related parties</td>
<td>95,234,017</td>
<td>22</td>
<td>112,682,093</td>
<td>26</td>
</tr>
<tr>
<td>2140 Other payables</td>
<td>25,979,230</td>
<td>6</td>
<td>22,934,121</td>
<td>5</td>
</tr>
<tr>
<td>2230 Current tax liabilities</td>
<td>3,574,451</td>
<td>1</td>
<td>3,153,507</td>
<td>1</td>
</tr>
<tr>
<td>2300 Other current financial liabilities</td>
<td>4,497,546</td>
<td>1</td>
<td>6,503,104</td>
<td>2</td>
</tr>
<tr>
<td>2350 Long-term liabilities, current portion</td>
<td>10,060,660</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2390 Other current liabilities, others</td>
<td>22,810,524</td>
<td>6</td>
<td>26,764,818</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>$ 250,871,511</td>
<td>60</td>
<td>$ 251,037,076</td>
<td>60</td>
</tr>
<tr>
<td>Non-current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2540 Long-term borrowings</td>
<td>-</td>
<td>-</td>
<td>10,824,249</td>
<td>2</td>
</tr>
<tr>
<td>2550 Deferred tax liabilities</td>
<td>-</td>
<td>-</td>
<td>46,584</td>
<td>-</td>
</tr>
<tr>
<td>2560 Net deferred income</td>
<td>611,204</td>
<td>-</td>
<td>741,172</td>
<td>-</td>
</tr>
<tr>
<td>2670 Capitalized balance of investments accounted for using equity method</td>
<td>718,892</td>
<td>-</td>
<td>172,386</td>
<td>-</td>
</tr>
<tr>
<td>2680 Other non-current liabilities, others</td>
<td>4,350,020</td>
<td>1</td>
<td>3,306,261</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>5,180,155</td>
<td>1</td>
<td>15,460,813</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>$ 296,051,666</td>
<td>70</td>
<td>$ 265,527,891</td>
<td>60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3190 Share capital</td>
<td>28,582,374</td>
<td>9</td>
<td>28,582,374</td>
<td>9</td>
</tr>
<tr>
<td>3300 Capital surplus</td>
<td>14,073,745</td>
<td>3</td>
<td>14,053,883</td>
<td>3</td>
</tr>
<tr>
<td>3300 Retained earnings</td>
<td>86,043,777</td>
<td>20</td>
<td>85,257,180</td>
<td>20</td>
</tr>
<tr>
<td>3400 Other equity interest</td>
<td>(5,987,339)</td>
<td>(2)</td>
<td>(4,756,829)</td>
<td>(1)</td>
</tr>
<tr>
<td>3500 Treasury stock</td>
<td>(1,533,604)</td>
<td>-</td>
<td>(1,533,604)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 122,422,148</td>
<td>30</td>
<td>$ 122,851,414</td>
<td>31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES AND EQUITY</th>
<th>2017.12.31</th>
<th>100</th>
<th>2016.12.31</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 435,374,106</td>
<td>100</td>
<td>$ 418,458,416</td>
<td>100</td>
</tr>
</tbody>
</table>
QUANTA COMPUTER INC.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts expressed in thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2017 $</th>
<th>%</th>
<th>2016 $</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4000 Operating revenue</td>
<td>952,570,713</td>
<td>96</td>
<td>938,566,371</td>
<td>100</td>
</tr>
<tr>
<td>5000 Operating costs</td>
<td>942,991,080</td>
<td>96</td>
<td>921,384,908</td>
<td>96</td>
</tr>
<tr>
<td>5910 Gross profit from operations</td>
<td>35,595,638</td>
<td>4</td>
<td>40,181,463</td>
<td>5</td>
</tr>
<tr>
<td>Less: Unrealized profit from sales</td>
<td>4,307,390</td>
<td>-</td>
<td>3,770,233</td>
<td>-</td>
</tr>
<tr>
<td>5920 Realized profit from sales</td>
<td>32,288,248</td>
<td>-</td>
<td>36,411,230</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6100 Selling expenses</td>
<td>4,871,758</td>
<td>1</td>
<td>5,084,420</td>
<td>1</td>
</tr>
<tr>
<td>6200 Administrative expenses</td>
<td>2,498,007</td>
<td>-</td>
<td>3,467,009</td>
<td>-</td>
</tr>
<tr>
<td>6300 Research and development expenses</td>
<td>9,677,852</td>
<td>1</td>
<td>8,541,657</td>
<td>1</td>
</tr>
<tr>
<td>6300 Total operating expenses</td>
<td>18,049,397</td>
<td>2</td>
<td>17,091,283</td>
<td>2</td>
</tr>
<tr>
<td>Net operating income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7000 Operating income and expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7100 Other income</td>
<td>931,087</td>
<td>-</td>
<td>533,840</td>
<td>-</td>
</tr>
<tr>
<td>7300 Interest expenses</td>
<td>(1,789,189)</td>
<td>-</td>
<td>(1,151,733)</td>
<td>-</td>
</tr>
<tr>
<td>7400 Other gains and losses, net</td>
<td>1,380,806</td>
<td>-</td>
<td>1,444,582</td>
<td>-</td>
</tr>
<tr>
<td>7420 Gain/loss of associates and joint ventures accounted for using equity method</td>
<td>(4,810,044)</td>
<td>(2)</td>
<td>(4,872,043)</td>
<td>(2)</td>
</tr>
<tr>
<td>7460 Total non-operating income and expenses</td>
<td>(4,853,226)</td>
<td>(2)</td>
<td>(4,872,043)</td>
<td>(2)</td>
</tr>
<tr>
<td>7900 Profit before tax</td>
<td>19,896,696</td>
<td>2</td>
<td>21,628,211</td>
<td>2</td>
</tr>
<tr>
<td>9100 Less: Tax expense</td>
<td>2,844,552</td>
<td>-</td>
<td>2,434,126</td>
<td>-</td>
</tr>
<tr>
<td>9200 Profit</td>
<td>17,052,144</td>
<td>2</td>
<td>19,194,085</td>
<td>2</td>
</tr>
</tbody>
</table>

Other comprehensive income:

<table>
<thead>
<tr>
<th>Component of other comprehensive income that will not be reclassified to profit or loss</th>
<th>2017 $</th>
<th>%</th>
<th>2016 $</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>8310</td>
<td>(Losses) gains on remeasurement of defined benefit plans</td>
<td>(75,733)</td>
<td>-</td>
<td>(1,333)</td>
</tr>
<tr>
<td>8330</td>
<td>Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss</td>
<td>659</td>
<td>-</td>
<td>1,007</td>
</tr>
<tr>
<td>8340</td>
<td>Income tax related to components of other comprehensive income that will not be reclassified to profit or loss</td>
<td>11,905</td>
<td>-</td>
<td>(8,834)</td>
</tr>
<tr>
<td>8350</td>
<td>Components of other comprehensive income that will not be reclassified to profit or loss</td>
<td>603,209</td>
<td>-</td>
<td>43,556</td>
</tr>
</tbody>
</table>

Component of other comprehensive income that will be reclassified to profit or loss:

<table>
<thead>
<tr>
<th>Component of other comprehensive income that will be reclassified to profit or loss</th>
<th>2017 $</th>
<th>%</th>
<th>2016 $</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>8360</td>
<td>Exchange differences on translation</td>
<td>(1,350,178)</td>
<td>-</td>
<td>(957,995)</td>
</tr>
<tr>
<td>8362</td>
<td>Unrealized gains on valuation of available-for-sale financial assets</td>
<td>156,076</td>
<td>-</td>
<td>803,441</td>
</tr>
<tr>
<td>8390</td>
<td>Income tax related to components of other comprehensive income that will be reclassified to profit or loss</td>
<td>(42,642)</td>
<td>-</td>
<td>(172,726)</td>
</tr>
<tr>
<td>8399</td>
<td>Components of other comprehensive income that will be reclassified to profit or loss</td>
<td>414</td>
<td>-</td>
<td>346</td>
</tr>
<tr>
<td>8500</td>
<td>Total comprehensive income for the year</td>
<td>13,960,522</td>
<td>2</td>
<td>14,954,606</td>
</tr>
</tbody>
</table>

Earnings per share attributable to parent company:

<table>
<thead>
<tr>
<th>Basic earnings per share (NT dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>3.74</td>
<td>3.84</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diluted earnings per share (NT dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>3.70</td>
<td>3.80</td>
</tr>
</tbody>
</table>
**QUANTA COMPUTER INC.**

**STATUTES OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Retained Earnings</th>
<th>Other Equity Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Reserve</td>
<td>Special Reserve</td>
</tr>
<tr>
<td>Balance as of January 1, 2016</td>
<td>38,626,274</td>
<td>14,042,566</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Appropriation and distribution of retained earnings:**
- Legal reserve appropriated: 1,782,713
- Special reserve appropriated: 1,482,634
- Cash dividends of ordinary share: (14,677,984)
- Adjustments of capital surplus for company’s cash dividends received by subsidiaries: 11,327

**Changes of ownership in subsidiaries:**
- Balance as of December 31, 2016: 14,835,656
- Profit for the year: 15,307,092
- Other comprehensive income for the year: (76,944)
- Total comprehensive income: 15,960,755

**Appropriation and distribution of retained earnings:**
- Legal reserve appropriated: 1,513,816
- Special reserve appropriated: 327,034
- Cash dividends of ordinary share: (13,519,186)

**Other changes in capital surplus:**
- Changes in assets of associates and joint ventures accounted for using equity method: 8,434
- Adjustments of capital surplus for company’s cash dividends received by subsidiaries: 10,435
- Changes of ownership in subsidiaries: (15)

**Balance as of December 31, 2017:**
- Ordinary Share: 38,626,274
- Capital Surplus: 14,077,714
- Legal Reserve: 26,969,046
- Special Reserve: 2,991,160
- Unappropriated Retained Earnings: 54,013,151
- Exchanges Difference on Translation of Foreign Financial Statements: 6,210,532
- Unrealized Gains (Losses) on Available-for-Sale Financial Assets: (3,854,327)
- Treasury Shares: (333,094)
- Total Equity: 14,835,656

*Note:* The remuneration to directors and supervisors are NT$42,000 and NT$42,000, and employee’s benefits are NT$4,654,100 and NT$1,425,121 for the years ended December 31, 2017 and 2016, respectively. These items have been deducted from statements of comprehensive income.
### Statements of Cash Flows

**For the Years Ended December 31, 2017 and 2016**

(Amounts expressed in thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>$17,311,806</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>255,818</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>3,765</td>
</tr>
<tr>
<td>Provision (Reversal) for bad debt expense</td>
<td>420,552</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,788,189</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>621,947</td>
</tr>
<tr>
<td>Share of loss of associates and joint ventures accounted for using equity method</td>
<td>751</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of investments</td>
<td>(48,035)</td>
</tr>
<tr>
<td>Loss on disposal of subsidiaries</td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of investments accounted for using equity method</td>
<td>819</td>
</tr>
<tr>
<td>Impairment loss on financial assets</td>
<td></td>
</tr>
<tr>
<td>Impairment loss (reversal) on non-financial assets</td>
<td>934</td>
</tr>
<tr>
<td>Unrealized foreign exchange gain</td>
<td>(618,160)</td>
</tr>
<tr>
<td>Total adjustments to reconcile profit</td>
<td>1,284,728</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in operating assets and liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in operating assets</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,031,639</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(9,158,330)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(12,866,914)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(22,651)</td>
</tr>
<tr>
<td>Total changes in operating assets</td>
<td>(20,679,215)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in operating liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>(19,500,781)</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,226,503</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>(2,053,558)</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(1,944,384)</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>(3,841)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>521,275</td>
</tr>
<tr>
<td>Total changes in operating liabilities</td>
<td>(18,779,796)</td>
</tr>
<tr>
<td>Total changes in operating assets and liabilities</td>
<td>(35,841,073)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total adjustments:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (outflow) from operations</td>
<td>(30,234,470)</td>
</tr>
<tr>
<td>Interest received</td>
<td>670,004</td>
</tr>
<tr>
<td>Dividends received</td>
<td>404,526</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,780,948)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(2,810,466)</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td>(32,671,491)</td>
</tr>
</tbody>
</table>
## QUANTA COMPUTER INC.

### STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Amounts expressed in thousands of new Taiwan dollars)

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of available-for-sale financial assets</td>
<td>$(85,416,557)</td>
<td>$(109,133,627)</td>
</tr>
<tr>
<td>Proceeds from disposal of available-for-sale financial assets</td>
<td>95,120,413</td>
<td>123,509,134</td>
</tr>
<tr>
<td>Proceeds from capital reduction of available-for-sale financial assets</td>
<td>16,839</td>
<td>85,629</td>
</tr>
<tr>
<td>Proceeds from disposal of financial assets at cost</td>
<td>-</td>
<td>9,389</td>
</tr>
<tr>
<td>Acquisition of investments accounted for using equity method</td>
<td>(1,067,353)</td>
<td>(446,684)</td>
</tr>
<tr>
<td>Net cash flow from disposal of subsidiaries</td>
<td>-</td>
<td>364,914</td>
</tr>
<tr>
<td>Proceeds from capital reduction of investments accounted for using equity method</td>
<td>139,845</td>
<td>47,812</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>(240,711)</td>
<td>(66,064)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>-</td>
<td>667</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(25,585)</td>
<td>(6,711)</td>
</tr>
<tr>
<td>(Increase) decrease in other financial assets</td>
<td>(123)</td>
<td>209</td>
</tr>
<tr>
<td>Increase in other non-current assets</td>
<td>(1,121)</td>
<td>(1,084)</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>8,325,755</td>
<td>14,183,664</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in short-term loans</td>
<td>39,680,649</td>
<td>(10,341,511)</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>-</td>
<td>26,405,720</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>-</td>
<td>(28,227,120)</td>
</tr>
<tr>
<td>Increase in other financial liabilities</td>
<td>6,654</td>
<td>8,722</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(12,505,841)</td>
<td>(14,642,485)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>16,181,462</td>
<td>(26,747,574)</td>
</tr>
</tbody>
</table>

| Net increases in cash and cash equivalents | 1,035,736 | 20,795,256 |
| Cash and cash equivalents at beginning of year | 62,881,838 | 41,886,602 |
| **Cash and cash equivalents at end of year** | 63,717,594 | 62,681,858 |