

**Advanced Semiconductor Engineering,
Inc. and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Advanced Semiconductor Engineering, Inc. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Advanced Semiconductor Engineering, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Advanced Semiconductor Engineering, Inc.

By

JASON C.S. CHANG

Chairman

March 13, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Semiconductor Engineering, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Advanced Semiconductor Engineering, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent auditors' (refer to paragraph of Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2016 are discussed as follows.

Goodwill Impairment

The accompanying consolidated financial statements for the year ended December 31, 2016 included goodwill of NT\$10,558,878 thousand, which represented 3% of the Group's total assets. In accordance with IAS 36, "Impairment of Assets," management performs goodwill impairment assessment at the end of each year to determine whether the carrying amounts (including goodwill allocated) significantly exceeds the recoverable

amounts of the cash-generating units to which the goodwill has been allocated.

The Group's goodwill was mainly allocated to the testing segment. The recoverable amounts that management used for goodwill impairment assessment was based on value in use which incorporated the discounted estimated cash flow projections using the rate of weighted average cost of capital by covering a five-year period and beyond. The cash flows beyond that five-year period have been extrapolated using a steady 1.5% per annum growth rate. The above assumptions were of high uncertainty since they are subject to management's judgement in the semiconductor industry which varies by economic trends. Therefore, we identified the Group's goodwill impairment assessment in the testing segment as a key audit matter.

Please refer to Notes 4 (j), 5 and 15 to the accompanying consolidated financial statements for related disclosures of the Group's goodwill impairment assessment.

Our key audit procedures in response to management's goodwill impairment assessment related to significant judgments, estimation and assumptions used in the estimated cash flow projections and the rate of weighted average cost of capital included the following:

1. Inquired management and examined the underlying documents to understand management's process and the basis of the estimated revenue growth rates, profit margin rates and cash flow projections.
2. Calculated the achieved rates of the revenue forecast for the past years and compared management's estimated revenue growth rates with the recent research reports of the semiconductor industry to evaluate the appropriateness of estimated revenue growth rates made by management.
3. Engaged our valuation specialists in evaluating the rate of weighted average cost of capital when estimating the value in use, which includes the assumptions of risk free interest, volatility and risk premium, etc., by comparing what applied to the Group with the current status of semiconductor industry; in addition, reperformed the calculations independently.
4. Inquired management and examined the underlying documents of sensitivity analysis in key assumptions, including the estimated revenue growth rates and the rate of weighted average costs of capital, to evaluate if there is a possibility that the carrying amount of the testing segment may significantly exceed its recoverable amounts when key assumptions changes.

The Identification and Valuation of Intangible Assets Obtained from Acquisition of Material Associates

The Group has successively acquired 33.29% shareholdings in Siliconware Precision Industries Co., Ltd. ("SPIL") with a total consideration of NT\$48,790,498 thousand. As of December 31, 2016, the carrying amount of such investment was NT\$45,884,727 thousand, which represented 13% of the Group's total assets, and therefore it was significant to the accompanying consolidated financial statements taken as a whole. Management has completed the identification of the difference between the cost of the investment and the Group's share of the net fair value of SPIL's identifiable assets and liabilities in accordance with IFRS 3, "*Business Combinations*."

While identifying the difference between the cost of the investment and the Group's share of the net fair value of SPIL's identifiable assets and liabilities, the Group measured the fair value of tangible assets and identified possible intangible assets with the related estimated cash flow projections or relief from expenses. The assumptions were of high uncertainty since they are subject to management's judgement in the semiconductor industry varied by economic trends. In addition, the amortization recognized according to the estimated economic beneficial lives of those identified intangible assets will also impact the Group's share of profit of SPIL. Therefore, we identified the Group's identification and valuation of intangible assets from the acquisition of SPIL's shareholdings as a key audit matter.

Please refer to Notes 4 (h), 5 and 13 to the accompanying consolidated financial statements for related accounting policies and the uncertainty of accounting estimate and assumptions regarding the investment in SPIL's shareholdings.

Our key audit procedures in respect of the above area included the following:

1. Inquired and evaluated the professionalism, competency and objectivity of the external appraisers engaged by management in the process of identifying and valuing intangible assets.
2. Engaged our valuation specialists in evaluating the completeness of the identified intangible assets, the reasonableness of methodology used and assumptions applied (including revenue forecasts, discount rates and estimated useful lives) in the purchase price allocation report as well as the accuracy of the related calculation.
3. Evaluated management's basis for estimated useful lives of identified intangible assets and the appropriateness of the adjustments to the share of the comprehensive income or loss of associates accounted for using the equity method in the current year; in addition, examined the comparative consolidated financial statements of the prior year if the retrospective adjustments and the relevant disclosures have been prepared in accordance with IFRS 3, "*Business Combinations*."

Other Matter

The consolidated financial statements of SPIL, an investee which was accounted for using the equity method in the Group's consolidated financial statements for the year ended December 31, 2016 and 2015, were audited by other independent auditors and our audit, insofar as it relates to the amounts and information disclosed, is based solely on the report of the other independent auditors. The accompanying consolidated financial statements of the Group included its investments accounted for using the equity method in SPIL of NT\$45,884,727 thousand and NT\$35,141,701 thousand, which represented 13% and 10% of the Group's total assets, as of December 31, 2016 and 2015, respectively, and its share of profit of SPIL of NT\$1,755,091 thousand and NT\$129,580 thousand, which represented 8% and 1% of the Group's net profit for the year ended December 31, 2016 and 2015, respectively.

We have also audited the parent company only financial statements of Advanced Semiconductor Engineering, Inc. for the years ended December 31, 2016 and 2015 on which we have expressed an unmodified 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect 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 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 an auditors' 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 the 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 auditors' 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2016 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 Chen-Li Chen and Jia-Ling Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015 (Adjusted)	
	NT\$	%	NT\$	%
	CURRENT ASSETS			
Cash and cash equivalents (Notes 4 and 6)	\$ 38,392,524	11	\$ 55,251,181	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,069,812	1	3,833,701	1
Available-for-sale financial assets - current (Notes 4 and 8)	266,696	-	30,344	-
Trade receivables, net (Notes 4 and 9)	51,145,557	14	44,931,487	13
Other receivables (Note 4)	665,480	-	429,541	-
Current tax assets (Note 4 and 24)	471,752	-	168,717	-
Inventories (Notes 4 and 10)	21,438,062	6	23,258,279	6
Inventories related to real estate business (Notes 4, 11, 23 and 34)	24,187,515	7	25,713,538	7
Other financial assets - current (Notes 4, 12 and 34)	558,686	-	301,999	-
Other current assets	<u>2,593,575</u>	<u>1</u>	<u>2,814,053</u>	<u>1</u>
Total current assets	<u>142,789,659</u>	<u>40</u>	<u>156,732,840</u>	<u>43</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,028,338	1	924,362	-
Investments accounted for using the equity method (Notes 4, 5 and 13)	49,824,896	14	37,141,552	10
Property, plant and equipment (Notes 4, 14, 23 and 35)	143,880,241	40	149,997,075	41
Goodwill (Notes 4, 5 and 15)	10,558,878	3	10,506,519	3
Other intangible assets (Notes 4, 16 and 23)	1,560,989	-	1,382,093	-
Deferred tax assets (Notes 4 and 24)	4,536,924	1	5,156,515	2
Other financial assets - non-current (Notes 4, 12 and 34)	1,320,381	-	345,672	-
Long-term prepayments for lease (Note 17)	2,237,033	1	2,556,156	1
Other non-current assets	<u>205,740</u>	<u>-</u>	<u>263,416</u>	<u>-</u>
Total non-current assets	<u>215,153,420</u>	<u>60</u>	<u>208,273,360</u>	<u>57</u>
TOTAL	<u>\$ 357,943,079</u>	<u>100</u>	<u>\$ 365,006,200</u>	<u>100</u>

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015 (Adjusted)	
	NT\$	%	NT\$	%
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 20,955,522	6	\$ 32,635,321	9
Short-term bills payable (Note 18)	-	-	4,348,054	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,763,660	-	3,005,726	1
Trade payables	35,803,984	10	34,138,564	9
Other payables (Note 20)	21,522,034	6	19,194,818	5
Current tax liabilities (Notes 4 and 24)	4,352,642	1	4,551,785	1
Advance real estate receipts (Note 4)	60,550	-	2,703,706	1
Current portion of bonds payable (Notes 4 and 19)	9,658,346	3	14,685,866	4
Current portion of long-term borrowings (Notes 18 and 34)	6,567,565	2	2,057,465	1
Other current liabilities	3,791,563	1	3,180,767	1
Total current liabilities	<u>104,475,866</u>	<u>29</u>	<u>120,502,072</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	27,341,557	8	23,740,384	7
Long-term borrowings (Notes 18 and 34)	46,547,998	13	42,493,668	12
Deferred tax liabilities (Notes 4 and 24)	4,856,549	2	4,987,549	1
Net defined benefit liabilities (Notes 4 and 21)	4,172,253	1	4,072,493	1
Other non-current liabilities	1,201,480	-	1,071,509	-
Total non-current liabilities	<u>84,119,837</u>	<u>24</u>	<u>76,365,603</u>	<u>21</u>
Total liabilities	<u>188,595,703</u>	<u>53</u>	<u>196,867,675</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital				
Ordinary shares	79,364,735	22	79,029,290	22
Shares subscribed in advance	203,305	-	156,370	-
Total share capital	<u>79,568,040</u>	<u>22</u>	<u>79,185,660</u>	<u>22</u>
Capital surplus	<u>22,265,049</u>	<u>6</u>	<u>23,757,099</u>	<u>7</u>
Retained earnings (Note 13)				
Legal reserve	14,597,032	4	12,649,145	3
Special reserve	3,353,938	1	3,353,938	1
Unappropriated earnings	46,747,234	13	39,899,629	11
Total retained earnings	<u>64,698,204</u>	<u>18</u>	<u>55,902,712</u>	<u>15</u>
Other equity	<u>(1,883,574)</u>	<u>-</u>	<u>5,081,689</u>	<u>1</u>
Treasury shares	<u>(7,292,513)</u>	<u>(2)</u>	<u>(7,292,513)</u>	<u>(2)</u>
Equity attributable to owners of the Company	157,355,206	44	156,634,647	43
NON-CONTROLLING INTERESTS				
(Notes 4 and 22)	<u>11,992,170</u>	<u>3</u>	<u>11,503,878</u>	<u>3</u>
Total equity	<u>169,347,376</u>	<u>47</u>	<u>168,138,525</u>	<u>46</u>
TOTAL	<u>\$ 357,943,079</u>	<u>100</u>	<u>\$ 365,006,200</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2017)

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars Except Earnings Per Share)

	For the Years Ended December 31			
	2016		2015	
	NT\$	%	NT\$	%
OPERATING REVENUES (Note 4)	\$ 274,884,107	100	\$ 283,302,536	100
OPERATING COSTS (Notes 10 and 23)	<u>221,689,888</u>	<u>81</u>	<u>233,167,308</u>	<u>82</u>
GROSS PROFIT	<u>53,194,219</u>	<u>19</u>	<u>50,135,228</u>	<u>18</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	3,432,487	1	3,588,472	1
General and administrative expenses	11,662,082	4	10,724,568	4
Research and development expenses	<u>11,391,147</u>	<u>4</u>	<u>10,937,566</u>	<u>4</u>
Total operating expenses	<u>26,485,716</u>	<u>9</u>	<u>25,250,606</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>26,708,503</u>	<u>10</u>	<u>24,884,622</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	640,843	-	876,008	-
Other gains, net (Note 23)	1,424,657	1	1,437,036	1
Finance costs (Note 23)	(2,261,075)	(1)	(2,312,143)	(1)
Share of the profit of associates and joint ventures (Note 4)	<u>1,528,344</u>	<u>-</u>	<u>121,373</u>	<u>-</u>
Total non-operating income and expenses	<u>1,332,769</u>	<u>-</u>	<u>122,274</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	28,041,272	10	25,006,896	9
INCOME TAX EXPENSE (Notes 4 and 24)	<u>5,091,373</u>	<u>2</u>	<u>4,839,246</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>22,949,899</u>	<u>8</u>	<u>20,167,650</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(417,181)	-	(62,911)	-
Share of other comprehensive loss of associates and joint ventures	(49,794)	-	(37,748)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>73,637</u>	<u>-</u>	<u>11,002</u>	<u>-</u>
	<u>(393,338)</u>	<u>-</u>	<u>(89,657)</u>	<u>-</u>

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars Except Earnings Per Share)

	For the Years Ended December 31			
	2016		2015 (Adjusted)	
	NT\$	%	NT\$	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (6,445,643)	(2)	\$ (63,509)	-
Unrealized gain (loss) on available-for-sale financial assets	(248,599)	-	10,451	-
Share of other comprehensive loss of associates and joint ventures	(871,679)	-	(4,832)	-
	<u>(7,565,921)</u>	<u>(2)</u>	<u>(57,890)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(7,959,259)</u>	<u>(2)</u>	<u>(147,547)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 14,990,640</u>	<u>6</u>	<u>\$ 20,020,103</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 21,680,339	8	\$ 19,197,516	7
Non-controlling interests	<u>1,269,560</u>	<u>-</u>	<u>970,134</u>	<u>-</u>
	<u>\$ 22,949,899</u>	<u>8</u>	<u>\$ 20,167,650</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 14,312,892	6	\$ 19,124,449	7
Non-controlling interests	<u>677,748</u>	<u>-</u>	<u>895,654</u>	<u>-</u>
	<u>\$ 14,990,640</u>	<u>6</u>	<u>\$ 20,020,103</u>	<u>7</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 2.83</u>		<u>\$ 2.51</u>	
Diluted	<u>\$ 2.37</u>		<u>\$ 2.41</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2017)

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company													
	Share Capital		Retained Earnings					Other Equity			Non-controlling Interests	Total Equity		
	Shares (In Thousands)	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total			Treasury Shares	
BALANCE AT JANUARY 1, 2015	7,861,725	\$ 78,715,179	\$ 16,013,058	\$ 10,289,878	\$ 3,353,938	\$ 38,737,422	\$ 52,381,238	\$ 4,541,761	\$ 526,778	\$ 5,068,539	\$ (1,959,107)	\$ 150,218,907	\$ 8,219,097	\$ 158,438,004
Equity component of convertible bonds issued by the Company (Note 19)	-	-	214,022	-	-	-	-	-	-	-	-	214,022	-	214,022
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	150	-	-	-	-	-	-	-	-	150	-	150
Net profit for the year ended December 31, 2015 (After adjusted)	-	-	-	-	-	19,197,516	19,197,516	-	-	-	-	19,197,516	970,134	20,167,650
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(86,217)	(86,217)	(48,191)	61,341	13,150	-	(73,067)	(74,480)	(147,547)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	19,111,299	19,111,299	(48,191)	61,341	13,150	-	19,124,449	895,654	20,020,103
Appropriation of 2014 earnings														
Legal reserve	-	-	-	2,359,267	-	(2,359,267)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(15,589,825)	(15,589,825)	-	-	-	-	(15,589,825)	-	(15,589,825)
	-	-	-	2,359,267	-	(17,949,092)	(15,589,825)	-	-	-	-	(15,589,825)	-	(15,589,825)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	(5,333,406)	(5,333,406)	-	(5,333,406)
Issue of dividends received by subsidiaries from the Company	-	-	292,351	-	-	-	-	-	-	-	-	292,351	-	292,351
Partial disposal of interests in subsidiaries and additional acquisition of majority-owned subsidiaries (Note 28)	-	-	7,197,510	-	-	-	-	-	-	-	-	7,197,510	1,712,836	8,910,346
Changes in percentage of ownership interest in subsidiaries	-	-	(564,344)	-	-	-	-	-	-	-	-	(564,344)	564,344	-
Issue of ordinary shares under employee share options	48,703	470,481	604,352	-	-	-	-	-	-	-	-	1,074,833	-	1,074,833
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(232,148)	(232,148)
Additional non-controlling interest arising on issue of employee share options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	344,095	344,095
ADJUSTED BALANCE AT DECEMBER 31, 2015 (Note 13)	7,910,428	79,185,660	23,757,099	12,649,145	3,353,938	39,899,629	55,902,712	4,493,570	588,119	5,081,689	(7,292,513)	156,634,647	11,503,878	168,138,525
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	51,959	-	-	-	-	-	-	-	-	51,959	-	51,959
Net profit for the year ended December 31, 2016	-	-	-	-	-	21,680,339	21,680,339	-	-	-	-	21,680,339	1,269,560	22,949,899
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(402,184)	(402,184)	(6,136,294)	(828,969)	(6,965,263)	-	(7,367,447)	(591,812)	(7,959,259)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	21,278,155	21,278,155	(6,136,294)	(828,969)	(6,965,263)	-	14,312,892	677,748	14,990,640

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company													
	Share Capital		Retained Earnings				Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity	
	Shares (In Thousands)	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets					
Appropriation of 2015 earnings														
Legal reserve	-	\$ -	\$ -	\$ 1,947,887	\$ -	\$ (1,947,887)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash dividends distributed by the Company	-	-	-	-	-	(12,476,779)	(12,476,779)	-	-	-	-	(12,476,779)	(12,476,779)	
	-	-	-	1,947,887	-	(14,424,666)	(12,476,779)	-	-	-	-	(12,476,779)	(12,476,779)	
Issue of dividends received by subsidiaries from the Company	-	-	233,013	-	-	-	-	-	-	-	-	233,013	233,013	
Partial disposal of interests in subsidiaries and additional acquisition of majority-owned subsidiaries (Note 28)	-	-	(20,552)	-	-	(5,884)	(5,884)	-	-	-	-	(26,436)	26,436	
Changes in percentage of ownership interest in subsidiaries (Note 28)	-	-	(1,912,887)	-	-	-	-	-	-	-	-	(1,912,887)	(912,886)	
Issue of ordinary shares under employee share options	35,756	382,380	600,737	-	-	-	-	-	-	-	-	983,117	983,117	
Non-controlling interest arising from acquisition of subsidiaries (Note 27)	-	-	-	-	-	-	-	-	-	-	-	-	7,021	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(237,850)	
Additional non-controlling interest arising on issue of employee share options by subsidiaries	-	-	(444,320)	-	-	-	-	-	-	-	-	(444,320)	927,823	
BALANCE AT DECEMBER 31, 2016	7,946,184	\$ 79,568,040	\$ 22,265,049	\$ 14,597,032	\$ 3,353,938	\$ 46,747,234	\$ 64,698,204	\$ (1,642,724)	\$ (240,850)	\$ (1,883,574)	\$ (7,292,513)	\$ 157,355,206	\$ 11,992,170	\$ 169,347,376

The accompanying notes are an integral part of the consolidated financial statements
 (With Deloitte & Touche audit report dated March 13, 2017)

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2016	2015
	NT\$	(Adjusted) NT\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 28,041,272	\$ 25,006,896
Adjustments for:		
Depreciation expense	28,961,614	28,938,770
Amortization expense	460,690	579,894
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(447,559)	(2,472,835)
Finance costs	2,261,075	2,312,143
Interest income	(230,067)	(242,084)
Dividend income	(26,411)	(396,973)
Compensation cost of employee share options	470,788	133,496
Share of profit of associates and joint ventures	(1,528,344)	(121,373)
Impairment loss recognized on financial assets	91,886	8,232
Reversal of impairment loss on financial assets	(28,022)	-
Impairment loss recognized on non-financial assets	1,340,011	610,140
Net loss (gain) on foreign currency exchange	(407,160)	1,358,777
Others	1,031,422	1,411,599
Changes in operating assets and liabilities		
Financial assets held for trading	1,052,111	4,162,522
Trade receivables	(6,184,873)	7,982,736
Other receivables	(211,755)	55,112
Inventories	3,156,759	(5,128,726)
Other current assets	(24,517)	407,017
Financial liabilities held for trading	(2,952,116)	(1,725,606)
Trade payables	1,665,420	(1,272,717)
Other payables	1,380,205	(858,166)
Advance real estate receipts	(2,643,156)	2,223,381
Other current liabilities	295,557	321,931
Other operating activities items	(407,143)	(247,024)
	<u>55,117,687</u>	<u>63,047,142</u>
Interest received	228,509	253,289
Dividend received	4,043,644	499,918
Interest paid	(2,043,870)	(2,067,955)
Income tax paid	(5,238,103)	(4,184,089)
	<u>52,107,867</u>	<u>57,548,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(64,853,336)	(100,842,813)
Proceeds on sale of financial assets designated as at fair value through profit or loss	66,472,870	102,139,161
Purchase of available-for-sale financial assets	(1,590,928)	(1,273,510)

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<u>2016</u>	<u>2015</u>
	NT\$	(Adjusted) NT\$
Proceeds on sale of available-for-sale financial assets	\$ 867,336	\$ 2,761,145
Cash received from return of capital by available-for-sale financial assets	28,927	44,511
Acquisition of associates and joint ventures	(16,041,463)	(35,673,097)
Net cash outflow on acquisition of subsidiaries	(73,437)	-
Payments for property, plant and equipment	(26,714,163)	(30,280,124)
Proceeds from disposal of property, plant and equipment	670,200	243,031
Payments for intangible assets	(513,893)	(491,135)
Proceeds from disposal of intangible assets	25,646	-
Decrease (increase) in other financial assets	(1,231,186)	358,266
Increase in other non-current assets	(206,031)	(336,864)
Net cash used in investing activities	<u>(43,159,458)</u>	<u>(63,351,429)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of short-term borrowings	(10,640,229)	(8,532,792)
Proceeds from (repayment of) short-term bills payable	(4,348,054)	4,348,054
Proceeds from issue of bonds	9,000,000	6,136,425
Repayment of bonds payable	(10,365,135)	-
Proceeds from long-term borrowings	62,282,917	39,887,570
Repayment of long-term borrowings	(52,924,902)	(22,926,660)
Dividends paid	(12,243,766)	(15,297,474)
Proceeds from exercise of employee share options	995,832	1,285,102
Payments for acquisition of treasury shares	-	(5,333,406)
Proceeds from partial disposal of interests in subsidiaries	-	8,910,346
Decrease in non-controlling interests	(3,063,623)	(232,148)
Other financing activities items	219,940	391,322
Net cash generated from (used in) financing activities	<u>(21,087,020)</u>	<u>8,636,339</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS		
	<u>(4,720,046)</u>	<u>723,556</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(16,858,657)	3,556,771
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>55,251,181</u>	<u>51,694,410</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 38,392,524</u>	<u>\$ 55,251,181</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2017)

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Unless Stated Otherwise)

1. GENERAL INFORMATION

Advanced Semiconductor Engineering, Inc. (the “Company”), a corporation incorporated in Nantze Export Processing Zone under the laws of Republic of China (the “ROC”). In August 2004, the Company merged its subsidiaries, ASE (Chung Li) Inc. and ASE Material Inc., and established Chung-Li Branch. In August 2006, the Company spun-off and assigned its substrate production business to ASE Electronics Inc. In January 2011, the Company established Nan-Tou Branch which was closed in January 2017. In May 2012, the Company merged its subsidiary, PowerASE Technology, Inc. In August 2013, the Company merged its subsidiary, Yang Ting Tech Co., Ltd. The Company and its subsidiaries (collectively referred to as the “Group”) offer a comprehensive range of semiconductors packaging, testing, and electronic manufacturing services (“EMS”).

Since July 1989, the Company’s ordinary shares have been listed on the Taiwan Stock Exchange (the “TSE”) under the symbol “2311”. Since September 2000, the Company’s ordinary shares of the Company have been traded on the New York Stock Exchange (the “NYSE”) under the symbol “ASX” in the form of American Depositary Shares (“ADS”). The ordinary shares of its subsidiary, Universal Scientific Industrial (Shanghai) Co., Ltd. (the “USISH”), have been listed on the Shanghai Stock Exchange (the “SSE”) under the symbol “601231” since February 2012.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollar (NT\$).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved for issue by board of directors on March 13, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (“FSC”) for application starting from 2017.

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 2)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are applied retrospectively for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies:

- 1) Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”

The amendment to IAS 36 clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

- 2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below:

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes

include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control over of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when the Group loses control over a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

3) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than

to transfer combined items).

When IFRS 15 and related amendment are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and results of operations, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or expected to be realized within twelve months after the balance sheet date, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the balance sheet date. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the balance sheet date and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the balance sheet date. Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business which has an operating cycle of over one year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their

accounting policies in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Company.

When the Group loses control over a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2) Subsidiaries included in consolidated financial statements were as follows:

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)	
			December 2016	December 2015
A.S.E. Holding Limited	Holding company	Bermuda	100.0	100.0
J & R Holding Limited ("J&R Holding")	Holding company	Bermuda	100.0	100.0
Innosource Limited	Holding company	British Virgin Islands	100.0	100.0
Omniquest Industrial Limited	Holding company	British Virgin Islands	100.0	100.0
ASE Marketing & Service Japan Co., Ltd.	Engaged in marketing and sales services	Japan	100.0	100.0
ASE Test, Inc.	Engaged in the testing of semiconductors	Kaohsiung, ROC	100.0	100.0
USI Inc. ("USIINC")	Engaged in investment	Nantou, ROC	99.2	99.2
Luchu Development Corporation	Engaged in the development of real estate properties	Taipei, ROC	86.1	86.1
TLJ Intertech Inc. ("TLJ")	Engaged in information software services and 60% shareholdings were acquired by ASE Test, Inc. in May 2016	Taipei, ROC	60.0	-
Alto Enterprises Limited	Holding company	British Virgin Islands	100.0	100.0
Super Zone Holdings Limited	Holding company	Hong Kong	100.0	100.0
ASE (Kun Shan) Inc.	Engaged in the packaging and testing of semiconductors	Kun Shan, China	100.0	100.0

(Continued)

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)	
			December 31 2016	2015
ASE Investment (Kun Shan) Limited	Holding company	Kun Shan, China	100.0	100.0
Advanced Semiconductor Engineering (China) Ltd.	Will engage in the packaging and testing of semiconductors	Shanghai, China	100.0	100.0
ASE Investment (Labuan) Inc.	Holding company	Malaysia	100.0	100.0
ASE Test Limited (“ASE Test”)	Holding company	Singapore	100.0	100.0
ASE (Korea) Inc. (“ASE Korea”)	Engaged in the packaging and testing of semiconductors	Korea	100.0	100.0
J&R Industrial Inc.	Engaged in leasing equipment and investing activity	Kaohsiung, ROC	100.0	100.0
ASE Japan Co., Ltd. (“ASE Japan”)	Engaged in the packaging and testing of semiconductors	Japan	100.0	100.0
ASE (U.S.) Inc.	After-sales service and sales support	U.S.A.	100.0	100.0
Global Advanced Packaging Technology Limited	Holding company	British Cayman Islands	100.0	100.0
ASE WeiHai Inc.	Engaged in the packaging and testing of semiconductors	Shandong, China	100.0	100.0
Suzhou ASEN Semiconductors Co., Ltd.	Engaged in the packaging and testing of semiconductors	Suzhou, China	60.0	60.0
Anstock Limited	Engaged in financing activity	British Cayman Islands	100.0	100.0
Anstock II Limited	Engaged in financing activity	British Cayman Islands	100.0	100.0
ASE Module (Shanghai) Inc.	In the process of liquidation	Shanghai, China	100.0	100.0
ASE (Shanghai) Inc.	Engaged in the production of substrates	Shanghai, China	100.0	100.0
ASE Corporation	Holding company	British Cayman Islands	100.0	100.0
ASE Mauritius Inc.	Holding company	Mauritius	100.0	100.0
ASE Labuan Inc.	Holding company	Malaysia	100.0	100.0
Shanghai Ding Hui Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	Shanghai, China	100.0	100.0
Shanghai Ding Qi Property Management Co., Ltd.	Engaged in the management of real estate properties	Shanghai, China	100.0	100.0
Advanced Semiconductor Engineering (HK) Limited	Engaged in the trading of substrates	Hong Kong	100.0	100.0
Shanghai Ding Wei Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Shanghai, China	100.0	100.0
Shanghai Ding Yu Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Shanghai, China	100.0	100.0

(Continued)

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)	
			December 31 2016	2015
Shanghai Ding Fan Department Store Co., Ltd.	Engaged in department store business, and was established in July 2016	Shanghai, China	100.0	-
Kun Shan Ding Yue Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Kun Shan, China	100.0	100.0
Kun Shan Ding Hong Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Kun Shan, China	100.0	100.0
ASE Electronics Inc.	Engaged in the production of substrates	Kaohsiung, ROC	100.0	100.0
ASE Test Holdings, Ltd.	Holding company	British Cayman Islands	100.0	100.0
ASE Holdings (Singapore) Pte. Ltd.	Holding company	Singapore	100.0	100.0
ASE Singapore Pte. Ltd.	Engaged in the packaging and testing of semiconductors	Singapore	100.0	100.0
ISE Labs, Inc.	Engaged in the testing of semiconductors	U.S.A.	100.0	100.0
ASE Electronics (M) Sdn. Bhd.	Engaged in the packaging and testing of semiconductors	Malaysia	100.0	100.0
ASE Assembly & Test (Shanghai) Limited	Engaged in the packaging and testing of semiconductors	Shanghai, China	100.0	100.0
ASE Trading (Shanghai) Ltd.	Engaged in trading activity	Shanghai, China	100.0	100.0
Wuxi Tongzhi Microelectronics Co., Ltd.	Engaged in the packaging and testing of semiconductors	Wuxi, China	100.0	100.0
Huntington Holdings International Co., Ltd.	Holding company	British Virgin Islands	99.2	99.2
Unitech Holdings International Co., Ltd.	Holding company	British Virgin Islands	99.2	99.2
Real Tech Holdings Limited	Holding company	British Virgin Islands	99.2	99.2
Universal ABIT Holding Co., Ltd.	In the process of liquidation	British Cayman Islands	99.2	99.2
Rising Capital Investment Limited	Holding company	British Virgin Islands	99.2	99.2
Rise Accord Limited	Holding company	British Virgin Islands	99.2	99.2
Universal Scientific Industrial (Kunshan) Co., Ltd.	Engaged in the manufacturing and sale of computer assistance system and related peripherals	Kun Shan, China	99.2	99.2
USI Enterprise Limited (“USIE”)	Engaged in the services of investment advisory and warehousing management	Hong Kong	97.0	96.7

(Continued)

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)	
			December 31 2016	2015
Universal Scientific Industrial (Shanghai) Co., Ltd. (“USISH”)	Engaged in the designing, manufacturing and sale of electronic components	Shanghai, China	75.1	75.7
Universal Global Technology Co., Limited	Holding company	Hong Kong	75.1	75.7
Universal Global Technology (Kunshan) Co., Ltd.	Engaged in the designing and manufacturing of electronic components	Kun Shan, China	75.1	75.7
Universal Global Technology (Shanghai) Co., Ltd.	Engaged in the processing and sales of computer and communication peripherals as well as business in import and export of goods and technology	Shanghai, China	75.1	75.7
Universal Global Electronics (Shanghai) Co., Ltd.	Engaged in the sale of electronic components and telecommunications equipment	Shanghai, China	75.1	75.7
Universal Global Industrial Co., Limited	Engaged in manufacturing, trading and investing activity	Hong Kong	75.1	75.7
Universal Global Scientific Industrial Co., Ltd. (“UGTW”)	Engaged in the manufacturing of components of telecomm and cars and provision of related R&D services	Nantou, ROC	75.1	75.7
USI America Inc.	Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service	U.S.A.	75.1	75.7
Universal Scientific Industrial De Mexico S.A. De C.V.	Engaged in the assembling of motherboards and computer components	Mexico	75.1	75.7
USI Japan Co., Ltd.	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories	Japan	75.1	75.7
USI Electronics (Shenzhen) Co., Ltd.	Engaged in the design, manufacturing and sale of motherboards and computer peripherals	Shenzhen, China	75.1	75.7

(Continued)

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)	
			December 31 2016	December 31 2015
Universal Scientific Industrial Co., Ltd. ("USI")	Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories	Nantou, ROC	74.4	99.0

(Concluded)

e. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if that interest were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

f. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost

in a foreign currency are not retranslated.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the retranslation of non-monetary assets (such as equity instruments) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the balance sheet date except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories and Inventories Related to Real Estate Business

Inventories, including raw materials (materials received from customers for processing, mainly semiconductor wafers, are excluded from inventories as title and risk of loss remain with the customers), supplies, work in process, finished goods, and materials and supplies in transit are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except for those that may be appropriate to group items of similar or related inventories. Net realizable value is the estimated selling prices of inventories less all estimated costs of completion and estimated costs necessary to make the sale. Raw materials and supplies are recorded at moving average cost while work in process and finished goods are recorded at standard cost.

Inventories related to real estate business include land and buildings held for sale, land held for construction and construction in progress. Land held for development is recorded as land held for construction upon obtaining the title of ownership. Prior to the completion, the borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. Construction in progress is transferred to land and buildings held for sale upon completion. Land and buildings held for sale, construction in progress and land held for construction are stated at the lower of cost or net realizable value and related write-downs are made by item. The amounts received in advance for real estate properties are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and significant risk of the real estate properties are transferred to customers. Cost of sales of land and buildings held for sale are recognized based on the ratio of property sold to the total property developed.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

Gains and losses resulting from upstream, downstream and sidestream transactions between the Group (including its subsidiaries) and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of interests in the associates or joint ventures that are not related to the Group.

i. Property, Plant and Equipment

Except for land which is stated at cost, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized

directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

k. Other Intangible Assets

Other intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Other intangible assets are amortized based on the pattern in which the economic benefits are consumed or using the straight-line method over their estimated useful lives. The estimated useful lives, residual value and amortization methods are reviewed at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis.

Other intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

l. Impairment of Tangible and Intangible Assets Other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill (see above), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

m. Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized or derecognized on a settlement date basis.

a) Measurement category

The classification of financial assets held by the Group depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets are classified as at FVTPL when the financial assets are either held for trading or they are designated as at FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 32.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are stated at fair value at each balance sheet date. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of unrealized gain (loss) on available-for-sale financial assets. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the unrealized gain (loss) on available-for-sale financial assets is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

iii. Loans and receivables

Loans and receivables including cash and cash equivalents, trade receivables, other receivables, other financial assets and debt investments with no active market are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when

the effect of discounting is immaterial.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, further, assessed for impairment on a collective basis. The Group assesses the collectability of receivables based on the Group's past experience of collecting payments and observable changes that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the assets' carrying amounts and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rates. If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account through profit or loss. The reversal shall not result in carrying amounts of financial assets that exceed what the amortized cost would have been at the date the impairment is reversed.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of unrealized gain (loss) on available-for-sale financial assets.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

Financial liabilities are measured either at amortized cost using the effective interest method or at FVTPL. Financial liabilities measured at FVTPL are held for trading.

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 32.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as financial liabilities.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

5) Convertible bonds

a) Convertible bonds contain conversion option classified as an equity

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance

recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

b) Convertible bonds contain conversion option classified as a liability

The conversion options component of the convertible bonds issued by the Group that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Group's own equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

n. Hedge Accounting

The Group designates certain hedging instruments as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instruments that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

o. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable take into account of estimated customer returns, rebates and other similar allowances.

1) Sale of goods and real estate properties

Revenue from the sale of goods and real estate properties is recognized when the goods and real estate properties are delivered and titles have passed, at the time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods and real estate properties;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and real estate properties sold;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

2) Rendering of services

Service income is recognized when services are rendered.

3) Dividend and interest income

Dividend income from investments and interest income from financial assets are recognized when they are probable that the economic benefits will flow to the Group and the amount of income can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

q. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated financial statements and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

s. Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Employee share options

Employee share options granted to employees are measured at the fair value at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and non-controlling interests. It is recognized as an expense in full at the grant date if vesting immediately.

At each balance sheet date, the Group reviews its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss

such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and non-controlling interests.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year the earnings arise and adjusted to the extent that distributions are approved by the shareholders in the following year.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry-forward and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of deferred tax assets to be utilized. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which assets are realized or the liabilities are settled. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate its present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

Acquisition of material associate

For the associate accounted for using the equity method, the Group recognized goodwill which is included within the carrying amount of the investment as of each investment date as the excess of cost of investments over the Group's share of the net fair value of the associate's identifiable assets acquired and the liabilities assumed at the respective investment dates. It involves critical accounting judgment and estimates when determining aforementioned fair values. The management engaged independent external appraiser to identify and evaluate the associate's identifiable tangible assets, intangible assets and liabilities. The scope of such evaluation includes assumptions as current replacement cost of tangible assets, the categories of intangible assets and their expected economic benefits, growth rates and discount rates used in cash flow analysis. The amounts of differences between fair value of identified tangible and intangible assets and the carrying amount at each respective investment dates are depreciated or amortized over their remaining useful lives or expected future economic benefit lives. The management considered that the related evaluation and assumption has appropriately reflected the net fair value of identifiable assets acquired and liabilities assumed.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
	NT\$	NT\$
Cash on hand	\$ 6,856	\$ 8,806
Checking accounts and demand deposits	28,823,763	50,291,823
Cash equivalent	<u>9,561,905</u>	<u>4,950,552</u>
	<u>\$ 38,392,524</u>	<u>\$ 55,251,181</u>

Cash equivalents include time deposits that are of a short maturity of three months or less from the date of acquisitions, and are highly liquid, readily convertible to known amounts in cash and the risk of changes in values is insignificant. Cash equivalents are held for the purpose of meeting short-term cash commitments

rather than for investments or other purposes.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
	NT\$	NT\$
Financial assets designated as at FVTPL		
Private-placement convertible bonds	\$ 100,583	\$ 100,500
Structured time deposits	-	1,646,357
	<u>100,583</u>	<u>1,746,857</u>
Financial assets held for trading		
Quoted shares	1,855,073	37,058
Open-end mutual funds	584,945	573,242
Swap contracts	462,339	1,452,611
Forward exchange contracts	66,872	18,913
Foreign currency option contracts	-	5,020
	<u>2,969,229</u>	<u>2,086,844</u>
	<u>\$ 3,069,812</u>	<u>\$ 3,833,701</u>
Financial liabilities held for trading		
Conversion option, redemption option and put option of convertible bonds (Note 19)	\$ 1,213,890	\$ 2,632,565
Swap contracts	422,934	290,176
Forward exchange contracts	108,912	69,207
Foreign currency option contracts	17,924	13,659
Interest rate swap contracts	-	119
	<u>\$ 1,763,660</u>	<u>\$ 3,005,726</u>

The Group invested in structured time deposits and in private-placement convertible bonds, and all included embedded derivative instruments which are not closely related to the host contracts. The Group designated the entire contracts as financial assets at FVTPL on initial recognition.

At each balance sheet date, the outstanding swap contracts not accounted for hedge accounting were as follows:

Currency	Maturity Period	Notional Amount (In Thousands)
<u>December 31, 2016</u>		
Sell NT\$/Buy US\$	2017.01-2017.12	NT\$59,797,499/US\$1,871,000
Sell US\$/Buy CNY	2017.03	US\$49,904/CNY349,800
Sell US\$/Buy JPY	2017.02	US\$77,153/JPY8,600,000
Sell US\$/Buy NT\$	2017.01	US\$61,000/NT\$1,958,908

(Continued)

Currency	Maturity Period	Notional Amount (In Thousands)
<hr/> December 31, 2015 <hr/>		
Sell NT\$/Buy US\$	2016.01-2016.12	NT\$57,554,138/US\$1,802,834
Sell US\$/Buy CNY	2016.01-2016.03	US\$353,881/CNY2,255,872
Sell US\$/Buy JPY	2016.03	US\$67,125/JPY8,240,000
Sell US\$/Buy NT\$	2016.01	US\$91,750/NT\$3,005,494
		(Concluded)

At each balance sheet date, the outstanding forward exchange contracts not accounted for hedge accounting were as follow:

Currency	Maturity Period	Notional Amount (In Thousands)
<hr/> December 31, 2016 <hr/>		
Sell NT\$/Buy US\$	2017.01-2017.02	NT\$2,842,330/US\$90,000
Sell US\$/Buy CNY	2017.01-2017.02	US\$70,000/CNY484,805
Sell US\$/Buy JPY	2017.01-2017.02	US\$43,877/JPY5,063,820
Sell US\$/Buy KRW	2017.01	US\$35,000/KRW41,012,700
Sell US\$/Buy MYR	2017.01-2017.02	US\$19,000/MYR84,544
Sell US\$/Buy NT\$	2017.01-2017.03	US\$190,000/NT\$6,099,400
Sell US\$/Buy SGD	2017.01-2017.03	US\$12,900/SGD18,080
Sell US\$/Buy EUR	2017.01	US\$281/EUR270

<hr/> December 31, 2015 <hr/>		
Sell NT\$/Buy US\$	2016.02	NT\$325,400/US\$10,000
Sell US\$/Buy CNY	2016.01-2016.03	US\$121,000/CNY780,252
Sell US\$/Buy JPY	2016.01	US\$14,000/JPY1,713,388
Sell US\$/Buy KRW	2016.01	US\$8,000/KRW9,420,350
Sell US\$/Buy MYR	2016.01-2016.02	US\$6,000/MYR25,525
Sell US\$/Buy NT\$	2016.01-2016.03	US\$155,000/NT\$5,088,230
Sell US\$/Buy SGD	2016.01-2016.02	US\$11,400/SGD16,079

At each balance sheet date, the outstanding foreign currency option contracts not accounted for hedge accounting were as follows:

Currency	Maturity Period	Notional Amount (In Thousands)
<hr/> December 31, 2016 <hr/>		
Buy US\$ Call/CNY Put	2017.08 (Note)	US\$2,000/CNY13,800
Sell US\$ Put/CNY Call	2017.08 (Note)	US\$1,000/CNY6,900
<hr/> December 31, 2015 <hr/>		
Buy US\$ Call/CNY Put	2017.08 (Note)	US\$2,000/CNY13,800
Buy US\$ Put/CNY Call	2016.03	US\$20,000/CNY131,600
Sell US\$ Put/CNY Call	2017.08 (Note)	US\$1,000/CNY6,900

Note: The contracts will be settled once a month and the counterparty has the right to early terminate the contracts, or the contracts will be early terminated or both parties will have no obligation to settle the contracts when the specific criteria is met.

At each balance sheet date, the outstanding interest rate swap contracts not accounted for hedge accounting were as follows:

Maturity Period	Notional Amounts (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2015</u>			
2016.10	NT\$1,000,000	4.6% (Fixed)	0.0%-5.0% (Floating)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Unquoted ordinary shares	\$ 553,350	\$ 249,217
Limited partnership	273,372	476,612
Open-end mutual funds	243,458	16,037
Quoted ordinary shares	146,786	197,580
Unquoted preferred shares	<u>78,068</u>	<u>15,260</u>
	1,295,034	954,706
Current	<u>266,696</u>	<u>30,344</u>
Non-current	<u>\$ 1,028,338</u>	<u>\$ 924,362</u>

9. TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Trade receivables	\$ 51,199,266	\$ 45,014,393
Less: Allowance for doubtful debts	<u>53,709</u>	<u>82,906</u>
Trade receivables, net	<u>\$ 51,145,557</u>	<u>\$ 44,931,487</u>

a. Trade receivables

The Group's average credit terms were 30 to 90 days. Allowance for doubtful debts is assessed by reference to the collectability of receivables by evaluating the account aging, historical experience and current financial condition of customers.

As of December 31, 2016 and 2015, except that the Group's five largest customers accounted for 30% and 26% of accounts receivable, respectively, the concentration of credit risk is insignificant for the remaining accounts receivable.

Aging of receivables based on the past due date

	December 31	
	2016	2015
	NT\$	NT\$
Not past due	\$ 45,959,876	\$ 40,409,227
1 to 30 days	4,467,435	3,901,300
31 to 90 days	700,122	495,664
More than 91 days	<u>71,833</u>	<u>208,202</u>
Total	<u>\$ 51,199,266</u>	<u>\$ 45,014,393</u>

Aging of receivables that were past due but not impaired

	December 31	
	2016	2015
	NT\$	NT\$
1 to 30 days	\$ 4,449,479	\$ 3,086,796
31 to 90 days	<u>596,647</u>	<u>344,265</u>
Total	<u>\$ 5,046,126</u>	<u>\$ 3,431,061</u>

Except for those impaired, the Group had not provided an allowance for doubtful debts on trade receivables at each balance sheet date since there has not been a significant change in credit quality and the amounts were still considered collectible. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to offset against any amounts owed by the Group to counterparties.

Movement of the allowance for doubtful trade receivables

	Impaired Individually	Impaired Collectively	Total
	NT\$	NT\$	NT\$
Balance at January 1, 2016	\$ 39,046	\$ 43,860	\$ 82,906
Impairment losses reversed	(21,501)	(6,521)	(28,022)
Effect of foreign currency exchange differences	<u>(1,092)</u>	<u>(83)</u>	<u>(1,175)</u>
Balance at December 31, 2016	<u>\$ 16,453</u>	<u>\$ 37,256</u>	<u>\$ 53,709</u>
Balance at January 1, 2015	\$ 28,305	\$ 55,840	\$ 84,145
Impairment losses recognized (reversed)	18,816	(10,584)	8,232
Amount written off during the period as uncollectible	(7,617)	(209)	(7,826)
Effect of foreign currency exchange differences	<u>(458)</u>	<u>(1,187)</u>	<u>(1,645)</u>
Balance at December 31, 2015	<u>\$ 39,046</u>	<u>\$ 43,860</u>	<u>\$ 82,906</u>

b. Transfers of financial assets

Factored trade receivables of the Company were as follows:

Counterparties	Receivables Sold (In Thousands)	Amounts Collected (In Thousands)	Advances Received At Year-end (In Thousands)	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
Year ended December 31, 2016					
Citi bank	US\$ -	US\$ 41,849	US\$ -	-	US\$ 66,000
Year ended December 31, 2015					
Citi bank	US\$ 78,804	US\$ 36,955	US\$ 41,849	1.30	US\$ 92,000

Pursuant to the factoring agreement, losses from commercial disputes (such as sales returns and discounts) should be borne by the Company, while losses from credit risk should be borne by the banks. The Company also issued promissory notes to the banks for commercial disputes which remained undrawn since. The promissory notes amounted to US\$2,000 thousand and US\$5,000 thousand as of December 31, 2016 and 2015, respectively. As of December 31, 2016, there was no significant losses from commercial disputes in the past and the Company does not expect any significant commercial dispute losses in the foreseeable future.

10. INVENTORIES

	December 31	
	2016	2015
	NT\$	NT\$
Finished goods	\$ 6,519,465	\$ 10,012,182
Work in process	2,822,687	1,692,346
Raw materials	10,850,062	9,672,894
Supplies	795,093	852,251
Raw materials and supplies in transit	<u>450,755</u>	<u>1,028,606</u>
	<u>\$ 21,438,062</u>	<u>\$ 23,258,279</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2016 and 2015 were NT\$219,623,236 thousand and NT\$233,165,722 thousand, respectively, which included write-downs of inventories at NT\$451,780 thousand and NT\$352,011 thousand, respectively.

11. INVENTORIES RELATED TO REAL ESTATE BUSINESS

	December 31	
	2016	2015
	NT\$	NT\$
Land and buildings held for sale	\$ 263,526	\$ 5,431
Construction in progress (Note 17)	22,236,464	23,956,678
Land held for construction	<u>1,687,525</u>	<u>1,751,429</u>
	<u>\$ 24,187,515</u>	<u>\$ 25,713,538</u>

Land and buildings held for sale located in Kun Shan Qiangeng and Shanghai Zhangjiang, China were completed and subsequently sold. Construction in progress is mainly located on Caobao Road and Hutai Road in Shanghai, China and Lidu Road and Xinhong Road in Kun Shan, China. The capitalized borrowing costs for the years ended December 31, 2016 and 2015 is disclosed in Note 23.

As of December 31, 2016 and 2015, inventories related to real estate business of NT\$12,076,154 thousand and NT\$24,837,046 thousand, respectively, are expected to be recovered longer than twelve months.

Refer to Note 34 for the carrying amount of inventories related to real estate business that had been pledged by the Group to secure bank borrowings.

12. OTHER FINANCIAL ASSETS

	December 31	
	2016	2015
	NT\$	NT\$
Unsecured subordinate corporate bonds	\$ 1,000,000	\$ -
Time deposits with original maturity of over three months	480,736	220,545
Pledged time deposits (Note 34)	206,530	207,359
Guarantee deposits	178,103	197,513
Others (Note 34)	<u>13,698</u>	<u>22,254</u>
	1,879,067	647,671
Current	<u>558,686</u>	<u>301,999</u>
Non-current	<u>\$ 1,320,381</u>	<u>\$ 345,672</u>

In June 2016, the Group acquired 1,000 units of perpetual unsecured subordinate corporate bonds in the amount of NT\$1,000,000 thousand. The corporate bonds are in denomination of NT\$1,000 thousand with annual interest rate at 3.5% as of December 31, 2016.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
	NT\$	(Adjusted)
	NT\$	NT\$
Investments in associates	\$ 49,154,346	\$ 36,527,711
Investments in joint ventures	<u>670,550</u>	<u>613,841</u>
	<u>\$ 49,824,896</u>	<u>\$ 37,141,552</u>

a. Investments in associates

1) Investments in associates accounted for using the equity method consisted of the following:

Name of Associate	Main Business	Operating Location	Carrying Amount as of December 31	
			2016	2015
			NT\$	(Adjusted)
			NT\$	NT\$
Material associate				
Siliconware Precision Industries Co., Ltd. ("SPIL")	Engaged in assembly, testing and turnkey services of integrated circuits	ROC	\$ 45,884,727	\$ 35,141,701
Associates that are not individually material				

(Continued)

Name of Associate	Main Business	Operating Location	Carrying Amount as of December 31	
			2016	2015
			NT\$	(Adjusted) NT\$
Deca Technologies Inc. ("DECA")	Holding company and the group engaged in manufacturing, development and marketing of wafer level packaging and interconnect technology	British Cayman Islands	\$ 1,820,329	\$ -
Hung Ching Development & Construction Co. ("HC")	Engaged in the development, construction and leasing of real estate properties	ROC	1,162,234	1,313,499
Hung Ching Kwan Co. ("HCK")	Engaged in the leasing of real estate properties	ROC	321,120	332,444
Advanced Microelectronic Products Inc. ("AMPI")	Engaged in integrated circuit	ROC	<u>266,085</u>	<u>40,216</u>
			49,454,495	36,827,860
	Less: Deferred gain on transfer of land		<u>300,149</u>	<u>300,149</u>
			<u>\$ 49,154,346</u>	<u>\$ 36,527,711</u> (Concluded)

2) At each balance sheet date, the percentages of ownership held by the Group were as follows:

	December 31	
	2016	2015
SPIL	33.29%	24.99%
DECA	22.07%	-
HC	26.22%	26.22%
HCK	27.31%	27.31%
AMPI	38.76%	18.24%

3) In September 2015, the Company acquired 24.99% shareholdings of SPIL and obtained significant influence over SPIL.

In March and April 2016, the Company acquired additional 258,300 thousand ordinary shares and ADS (one ADS represents five ordinary shares) of SPIL from open market with a total consideration of NT\$13,735,498 thousand which was paid in cash. As the result, the percentage of ownership increased from 24.99% to 33.29%.

As of December 31, 2016, the Company has completed the identification of the difference between the cost of the investment and the Company's share of the net fair value of SPIL's identifiable assets and liabilities. Therefore, the Company has retrospectively adjusted the comparative financial statements for prior periods. As of December 31, 2015, the retrospective adjustments are summarized as follows:

	<u>Before adjusted</u> NT\$	<u>After adjusted</u> NT\$
Investments accounted for using the equity method - SPIL	<u>\$ 35,423,058</u>	<u>\$ 35,141,701</u>
Retained earnings	<u>\$ 56,184,069</u>	<u>\$ 55,902,712</u>

In June 2016, the Company's board of directors approved to enter into and execute a joint share exchange agreement with SPIL. Please refer to Note 37.

4) In July 2016, the Company acquired 98,490 thousand preferred shares issued by DECA at US\$0.608 per share with a total consideration of NT\$1,934,062 thousand (US\$59,882 thousand). The percentage of ownership was 22.07% and the Company obtained significant influence over DECA. As of December 31, 2016, the Company has not completed the identification of the

difference between the cost of the investment and the Company's share of the net fair value of DECA's identifiable assets and liabilities.

- 5) In November 2016, the Company's subsidiary, ASE Test, Inc. purchased 90,000 thousand ordinary shares of AMPI in a private placement with NT\$225,000 thousand paid in cash. As a result, the percentage of ownership held by the Group was 38.76% as of December 31, 2016. As of December 31, 2016, the ASE Test, Inc. has not completed the identification of the difference between the cost of the investment and the Group's share of the net fair value of AMPI's identifiable assets and liabilities.
- 6) Fair values (Level 1 inputs in terms of IFRS 13) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2016	2015
	NT\$	NT\$
SPIL	<u>\$ 49,634,805</u>	<u>\$ 40,741,700</u>
HC	<u>\$ 1,310,829</u>	<u>\$ 1,149,549</u>
AMPI	<u>\$ 307,038</u>	<u>\$ 104,255</u>

- 7) Summarized financial information in respect of the Group's material associate

The summarized financial information below represents amounts shown in SPIL's consolidated financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC and adjusted by the Group for equity method accounting purposes. The Group received cash dividends of NT\$3,941,740 thousand and nil from SPIL for the years ended December 31, 2016 and 2015, respectively.

	December 31	
	2016	2015
	NT\$	(Adjusted) NT\$
Current assets	\$ 50,451,295	\$ 48,785,212
Non-current assets	107,606,186	112,547,467
Current liabilities	(41,088,439)	(30,677,239)
Non-current liabilities	<u>(16,484,482)</u>	<u>(21,967,349)</u>
Equity	<u>\$ 100,484,560</u>	<u>\$ 108,688,091</u>
Proportion of the Group's ownership interest in SPIL	33.29%	24.99%
Net assets attributable to the Group	\$ 33,451,310	\$ 27,161,154
Goodwill	<u>12,433,417</u>	<u>7,980,547</u>
Carrying amount	<u>\$ 45,884,727</u>	<u>\$ 35,141,701</u>
	December 31	
	2016	2015
	NT\$	NT\$
Operating revenue	<u>\$ 85,111,913</u>	<u>\$ 82,839,922</u>
Gross profit	<u>\$ 15,027,247</u>	<u>\$ 20,483,422</u>
Profit before income tax expense	<u>\$ 7,362,092</u>	<u>\$ 9,264,979</u>

Net profit for the period	\$ 5,610,685	\$ 7,636,379
Other comprehensive loss for the year	<u>(2,504,310)</u>	<u>(906,053)</u>
Total comprehensive income for the year	<u>\$ 3,106,375</u>	<u>\$ 6,730,326</u>

8) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
	NT\$	NT\$
The Group's share of:		
Net profit (loss) for the year	\$ (153,268)	\$ 115,857
Other comprehensive loss for the year	<u>(115,650)</u>	<u>(2,916)</u>
Total comprehensive income (loss) for the year	<u>\$ (268,918)</u>	<u>\$ 112,941</u>

9) The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments in associates for the years ended December 31, 2016 and 2015 was based on the associates' financial statements audited by the auditors for the same years.

b. Investments in joint ventures

1) The Group's investment in a joint venture that was not individually material and accounted for using the equity method consisted of ASE Embedded Electronics Inc. ("ASEEE"). In May 2015, the Group and TDK Corporation ("TDK") entered into an agreement to establish a joint venture to invest in ASEEE. The Group invested NT\$618,097 thousand in August 2015 and participated in ASEEE's cash capital increase with NT\$146,903 thousand in September 2016. As of December 31, 2016 and 2015, the percentage of ownership were both 51%. ASEEE are located in ROC and engaged in the production of embedded substrate. According to the joint arrangement, the Group and TDK must act together to direct the relevant operating activities and, as a result, the Group does not control ASEEE. The investment in ASEEE is accounted for using the equity method.

2) Aggregate information of joint venture that is not individually material

	For the Year Ended December 31	
	2016	2015
	NT\$	NT\$
The Group's share of net loss and total comprehensive loss for the year	<u>\$ (90,478)</u>	<u>\$ (4,274)</u>

3) The investment accounted for using the equity method and the share of loss and other comprehensive loss for the investment in the joint venture for the years ended December 31, 2016 and 2015 was based on ASEEE's financial statements audited by the auditors for the same year.

14. PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of each class of property, plant and equipment were as follows:

December 31	
2016	2015

	<u>NT\$</u>	<u>NT\$</u>
Land	\$ 3,365,013	\$ 3,381,300
Buildings and improvements	58,028,631	59,801,054
Machinery and equipment	72,700,762	78,715,309
		(Continued)

	December 31	
	2016	2015
	NT\$	NT\$
Other equipment	\$ 2,089,581	\$ 1,814,994
Construction in progress and machinery in transit	<u>7,696,254</u>	<u>6,284,418</u>
	<u>\$ 143,880,241</u>	<u>\$ 149,997,075</u>

(Concluded)

For the year ended December 31, 2016

	Land	Buildings and improvements	Machinery and equipment	Other equipment	Construction in progress and machinery in transit	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Balance at January 1, 2016	\$ 3,381,300	\$ 94,447,932	\$ 243,283,607	\$ 7,722,408	\$ 6,397,760	\$ 355,233,007
Additions	-	22,341	94,480	470,901	27,093,140	27,680,862
Disposals	-	(684,698)	(5,956,179)	(159,822)	(268,782)	(7,069,481)
Reclassification	-	5,110,102	19,661,732	691,276	(25,463,285)	(175)
Acquisitions through business combinations	-	-	-	1,159	-	1,159
Effect of foreign currency exchange differences	<u>(16,287)</u>	<u>(2,637,502)</u>	<u>(8,882,884)</u>	<u>(251,261)</u>	<u>(45,291)</u>	<u>(11,833,225)</u>
Balance at December 31, 2016	<u>\$ 3,365,013</u>	<u>\$ 96,258,175</u>	<u>\$ 248,200,756</u>	<u>\$ 8,474,661</u>	<u>\$ 7,713,542</u>	<u>\$ 364,012,147</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ -	\$ 34,646,878	\$ 164,568,298	\$ 5,907,414	\$ 113,342	\$ 205,235,932
Depreciation expense	-	5,114,263	22,983,290	864,061	-	28,961,614
Impairment losses recognized	-	620	876,123	5,564	5,924	888,231
Disposals	-	(449,198)	(5,544,489)	(151,875)	(100,049)	(6,245,611)
Reclassification	-	(5,123)	9,660	(4,537)	-	-
Acquisitions through business combinations	-	-	-	824	-	824
Effect of foreign currency exchange differences	<u>-</u>	<u>(1,077,896)</u>	<u>(7,392,888)</u>	<u>(236,371)</u>	<u>(1,929)</u>	<u>(8,709,084)</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 38,229,544</u>	<u>\$ 175,499,994</u>	<u>\$ 6,385,080</u>	<u>\$ 17,288</u>	<u>\$ 220,131,906</u>

For the year ended December 31, 2015

	Land	Buildings and improvements	Machinery and equipment	Other equipment	Construction in progress and machinery in transit	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Balance at January 1, 2015	\$ 3,348,018	\$ 86,725,254	\$ 233,669,627	\$ 7,182,574	\$ 5,862,217	\$ 336,787,690
Additions	-	132,584	553,496	401,417	27,193,324	28,280,821
Disposals	-	(405,040)	(8,041,933)	(232,555)	(20,711)	(8,700,239)
Reclassification	-	8,579,472	18,054,712	389,783	(26,893,158)	130,809
Effect of foreign currency exchange differences	<u>33,282</u>	<u>(584,338)</u>	<u>(952,295)</u>	<u>(18,811)</u>	<u>256,088</u>	<u>(1,266,074)</u>
Balance at December 31, 2015	<u>\$ 3,381,300</u>	<u>\$ 94,447,932</u>	<u>\$ 243,283,607</u>	<u>\$ 7,722,408</u>	<u>\$ 6,397,760</u>	<u>\$ 355,233,007</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	\$ -	\$ 30,329,544	\$ 149,497,980	\$ 5,365,887	\$ 7,164	\$ 185,200,575
Depreciation expense	-	4,790,646	23,372,408	775,716	-	28,938,770
Impairment losses recognized	-	120,424	31,116	-	106,589	258,129
Disposals	-	(308,895)	(7,838,937)	(224,509)	-	(8,372,341)
Reclassification	-	5,704	(11,920)	3,008	-	(3,208)
Effect of foreign currency exchange differences	<u>-</u>	<u>(290,545)</u>	<u>(482,349)</u>	<u>(12,688)</u>	<u>(411)</u>	<u>(785,993)</u>
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 34,646,878</u>	<u>\$ 164,568,298</u>	<u>\$ 5,907,414</u>	<u>\$ 113,342</u>	<u>\$ 205,235,932</u>

Due to the Group's future operation plans and capacity evaluation or production demands in segment of packaging and testing, the Group believed that a portion of property, plant and equipment was not used and recognized an impairment loss of NT\$ 888,231 thousand and NT\$258,129 thousand under the line item of other gains, net in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively. The recoverable amount of a portion of the impaired property, plant and

equipment is determined by its fair value less costs of disposal, of which the fair value is based on the quoted prices of assets with similar obsolescence that provided by the vendors in market. The recent quoted prices of assets are a Level 3 input in terms of IFRS 13 because the market is not very active. The recoverable amount of the other portion of the impaired property, plant and equipment is determined on the basis of its value in use. The Group expects to derive zero future cash flows from these assets.

Each class of property, plant and equipment was depreciated on a straight-line basis over the following useful lives:

Buildings and improvements	
Main plant buildings	10-40 years
Cleanrooms	10-20 years
Others	3-20 years
Machinery and equipment	2-10 years
Other equipment	2-20 years

The capitalized borrowing costs for the years ended December 31, 2016 and 2015 are disclosed in Note 23.

15. GOODWILL

	<u>Cost</u>	<u>Accumulated</u>	<u>Carrying</u>
	<u>NT\$</u>	<u>impairment</u>	<u>amount</u>
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Balance at January 1, 2016	\$ 12,495,515	\$ 1,988,996	\$ 10,506,519
Acquisitions through business combinations	83,892	-	83,892
Effect of foreign currency exchange differences	<u>(31,533)</u>	<u>-</u>	<u>(31,533)</u>
Balance at December 31, 2016	<u>\$ 12,547,874</u>	<u>\$ 1,988,996</u>	<u>\$ 10,558,878</u>
Balance at January 1, 2015	\$ 12,434,411	\$ 1,988,996	\$ 10,445,415
Effect of foreign currency exchange differences	<u>61,104</u>	<u>-</u>	<u>61,104</u>
Balance at December 31, 2015	<u>\$ 12,495,515</u>	<u>\$ 1,988,996</u>	<u>\$ 10,506,519</u>

a. Allocating goodwill to cash-generating units

Goodwill had been allocated to the following cash-generating units for impairment testing purposes: packaging segment, testing segment, EMS segment and other segment. The carrying amount of goodwill allocated to cash-generating units was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Cash-generating units	<u>NT\$</u>	<u>NT\$</u>
Testing segment	\$ 7,868,961	\$ 7,890,525
Others	<u>2,689,917</u>	<u>2,615,994</u>
	<u>\$ 10,558,878</u>	<u>\$ 10,506,519</u>

b. Impairment assessment

At the end of each year, the Group performs impairment assessment by reviewing the recoverable amounts based on value in use calculation which incorporates cash flow projections covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady

1.5% per annum growth rate. In assessing value in use, the estimated future cash flows are discounted to their present value using annual discount rates. For the years ended December 31, 2016 and 2015, the Group did not recognize impairment loss on goodwill.

The key assumptions used in the value in use calculations are growth rates for operating revenue and discount rates. Growth rates for operating revenue are based on the revenue forecast for the Group and the market as well as the Group's historical experience. The discount rates were 9.09%- 10.49% and 8.67%- 10.71% as of December 31, 2016 and 2015, respectively

Management believed that any reasonably possible change in the key assumptions on which recoverable amount was based would not cause the aggregate carrying amount of the cash-generating unit to exceed its aggregate recoverable amount significantly.

16. OTHER INTANGIBLE ASSETS

The carrying amounts of each class of other intangible assets were as follows:

	December 31	
	2016	2015
	NT\$	NT\$
Customer relationships	\$ 194,089	\$ 274,402
Computer software	943,527	953,322
Patents and acquired specific technology	302,955	15,696
Others	<u>120,418</u>	<u>138,673</u>
	<u>\$ 1,560,989</u>	<u>\$ 1,382,093</u>

For the year ended December 31, 2016

	Customer relationships	Computer software	Patents and acquired specific technology	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Balance at January 1, 2016	\$ 915,636	\$ 3,338,360	\$ 154,082	\$ 193,338	\$ 4,601,416
Additions (Note 33)	-	372,188	301,351	1,605	675,144
Disposals	-	(80,537)	(1,310)	-	(81,847)
Reclassification	-	-	786	-	786
Acquisitions through business combinations	-	-	1,074	30	1,104
Effect of foreign currency exchange differences	<u>-</u>	<u>(77,782)</u>	<u>(4,846)</u>	<u>(2,581)</u>	<u>(85,209)</u>
Balance at December 31, 2016	<u>\$ 915,636</u>	<u>\$ 3,552,229</u>	<u>\$ 451,137</u>	<u>\$ 192,392</u>	<u>\$ 5,111,394</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2016	\$ 641,234	\$ 2,385,038	\$ 138,386	\$ 54,665	\$ 3,219,323
Amortization expense	80,313	345,836	17,120	17,421	460,690

(Continued)

	<u>Customer relationships</u> NT\$	<u>Computer software</u> NT\$	<u>Patents and acquired specific technology</u> NT\$	<u>Others</u> NT\$	<u>Total</u> NT\$
Disposals	\$ -	\$ (58,765)	\$ (1,310)	\$ -	\$ (60,075)
Reclassification	-	-	786	-	786
Acquisitions through business combinations	-	-	483	23	506
Effect of foreign currency exchange differences	<u>-</u>	<u>(63,407)</u>	<u>(7,283)</u>	<u>(135)</u>	<u>(70,825)</u>
Balance at December 31, 2016	<u>\$ 721,547</u>	<u>\$ 2,608,702</u>	<u>\$ 148,182</u>	<u>\$ 71,974</u>	<u>\$ 3,550,405</u> (Concluded)

For the year ended December 31, 2015

	<u>Customer relationships</u> NT\$	<u>Computer software</u> NT\$	<u>Patents and acquired specific technology</u> NT\$	<u>Others</u> NT\$	<u>Total</u> NT\$
<u>Cost</u>					
Balance at January 1, 2015	\$ 1,579,015	\$ 2,882,932	\$ 2,139,138	\$ 184,409	\$ 6,785,494
Additions	-	481,412	209	9,514	491,135
Disposals or derecognition	(663,379)	(8,426)	(1,983,914)	(204)	(2,655,923)
Reclassification	-	12,360	-	-	12,360
Effect of foreign currency exchange differences	<u>-</u>	<u>(29,918)</u>	<u>(1,351)</u>	<u>(381)</u>	<u>(31,650)</u>
Balance at December 31, 2015	<u>\$ 915,636</u>	<u>\$ 3,338,360</u>	<u>\$ 154,082</u>	<u>\$ 193,338</u>	<u>\$ 4,601,416</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2015	\$ 1,077,514	\$ 2,084,805	\$ 2,118,254	\$ 37,050	\$ 5,317,623
Amortization expense	227,099	325,856	9,461	17,478	579,894
Disposals or derecognition	(663,379)	(7,402)	(1,983,914)	-	(2,654,695)
Reclassification	-	3,190	-	-	3,190
Effect of foreign currency exchange differences	<u>-</u>	<u>(21,411)</u>	<u>(5,415)</u>	<u>137</u>	<u>(26,689)</u>
Balance at December 31, 2015	<u>\$ 641,234</u>	<u>\$ 2,385,038</u>	<u>\$ 138,386</u>	<u>\$ 54,665</u>	<u>\$ 3,219,323</u>

Each class of other intangible assets, except a portion of customer relationships amortized based on the pattern in which the economic benefits are consumed, were amortized on the straight-line basis over the following useful lives:

Customer relationships	11 years
Computer software	2-5 years
Patents and acquired specific technology	5-15 years
Others	5-32 years

17. LONG-TERM PREPAYMENTS FOR LEASE

Long-term prepayments for lease mainly represented land use right located in China with periods for use from 50 to 70 years.

18. BORROWINGS

a. Short-term borrowings

Short-term borrowings mainly represented unsecured revolving bank loans with annual interest rates at 0.70%-8.99% and 0.57%-5.78% as of December 31, 2016 and 2015, respectively.

b. Short-term bills payable – only as of December 31, 2015

Commercial papers	\$ 4,350,000
Less: unamortized arrangement fee	<u>1,946</u>
	<u>\$ 4,348,054</u>
Annual interest rate	0.78%

c. Long-term borrowings

1) Bank loans

As of December 31, 2016 and 2015, the long-term bank loans with fixed interest rates were both amounted to NT\$1,500,000 thousand, respectively, with annual interest rates at 1.20% and 1.17%, respectively. The long-term bank loans with fixed interest rates will be repayable in December 2018. The others were long-term bank loans with floating interest rates and consisted of the followings:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Working capital bank loans		
Syndicated bank loans - repayable through January 2017 to July 2018, annual interest rates were 2.55% and 1.56%-1.92% as of December 31, 2016 and 2015, respectively	\$ 9,223,500	\$ 12,159,037
Others - repayable through January 2017 to November 2019, annual interest rates were 0.74%-4.48% and 0.90%-3.98% as of December 31, 2016 and 2015, respectively	36,009,917	25,660,638

(Continued)

	December 31	
	2016	2015
	NT\$	NT\$
Mortgage loans		
Repayable through July 2017 to June 2023, annual interest rates were both 4.95%-5.39% as of December 31, 2016 and 2015, respectively	\$ 4,390,003	\$ 3,251,139
	49,623,420	41,070,814
Less: unamortized arrangement fee	<u>7,198</u>	<u>18,670</u>
	49,616,222	41,052,144
Less: current portion	<u>6,567,565</u>	<u>2,057,465</u>
	<u>\$ 43,048,657</u>	<u>\$ 38,994,679</u>
		(Concluded)

Pursuant to the above syndicated bank loans agreements, the Company and some of its subsidiaries should maintain certain financial covenants including current ratio, leverage ratio, tangible net assets and interest coverage ratio. Such financial ratios are calculated based on the Group's annual audited consolidated financial statements or semi-annual reviewed consolidated financial statements or subsidiaries' annual audited financial statements. The Company and its subsidiaries were in compliance with all of the loan covenants as of December 31, 2016 and 2015.

The Group had sufficient long term credit facility obtained before December 31, 2015 to refinance a portion of loans on a long-term basis. Therefore, NT\$2,105,883 thousand was not classified as current portion of long-term borrowings as of December 31, 2015.

2) Long-term bills payable

	December 31	
	2016	2015
	NT\$	NT\$
Commercial papers	\$ 2,000,000	\$ 2,000,000
Less: unamortized discounts	<u>659</u>	<u>1,011</u>
	<u>\$ 1,999,341</u>	<u>\$ 1,998,989</u>
Annual interest rate	1.00%	1.03%

The commercial paper contract was entered into with Ta Ching Bills Finance Corporation in December 2015 and the duration is three years.

19. BONDS PAYABLE

	December 31	
	2016	2015
	NT\$	NT\$
Unsecured domestic bonds		
Repayable at maturity in January 2021 and interest due annually with annual interest rate at 1.30%	\$ 7,000,000	\$ -
Repayable at maturity in January 2023 and interest due annually with annual interest rate at 1.50%	2,000,000	-
		(Continued)

	December 31	
	2016	2015
	NT\$	NT\$
Unsecured convertible overseas bonds		
US\$400,000 thousand	\$ 12,900,000	\$ 13,130,000
US\$200,000 thousand (linked to New Taiwan dollar)	6,185,600	6,185,600
Secured overseas bonds - secured by the Company		
US\$300,000 thousand, repayable at maturity in July 2017; interest due semi-annually with annual interest rate 2.125%	9,675,000	9,847,500
CNY500,000 thousand, with annual interest rate 4.25% and repaid in September 2016	-	2,527,489
Secured domestic bonds - secured by banks		
With annual interest rate 1.45% and repaid in August 2016	-	8,000,000
	<u>37,760,600</u>	<u>39,690,589</u>
Less: discounts on bonds payable	<u>760,697</u>	<u>1,264,339</u>
	36,999,903	38,426,250
Less: current portion	<u>9,658,346</u>	<u>14,685,866</u>
	<u>\$ 27,341,557</u>	<u>\$ 23,740,384</u>
		(Concluded)

The Group had sufficient long term credit facility obtained before December 31, 2015 to refinance a portion of the bonds payable on a long-term basis. Therefore, NT\$8,000,000 thousand was not classified as current portion of bonds payable as of December 31, 2015.

- a. In September 2013, the Company offered the third unsecured convertible overseas bonds (the “Bonds”) in US\$400,000 thousand. The Bonds is zero coupon bonds with the maturity of 5 years, in denominations of US\$200 thousand or in any integral multiples thereof. Each holder of the Bonds has the right at any time on or after October 16, 2013 and up to (and including) August 26, 2018, except during legal lock-up period, to convert the Bonds into newly issued listed common shares at the conversion price NT\$33.085, determined on the basis of a fixed exchange rate of US\$1 to NT\$29.956. The conversion price will be adjusted in accordance with the conversion provisions due to anti-dilution clause. As of December 31, 2016 and 2015, the conversion price was NT\$28.99 and NT\$30.28, respectively.

The Bonds may be redeemed at the option of the Company, in whole or in part, at any time on or after the third anniversary of the offering date provided that (1) the closing price, translated into U.S. dollars, of the common shares for a period of 20 consecutive trading days is at least 130% of the conversion price, (2) at least 90% in aggregate principal amount of the Bonds originally outstanding has been redeemed, repurchased and canceled or converted, or (3) the Company is required to pay additional taxes on the Bonds as a result of certain changes in tax laws in the ROC.

Each holder shall have the right to request the Company repurchase all or any portion of the principal amount thereof of a holder’s Bonds (1) on the third anniversary of the offering date, (2) in the event of a change of control, or (3) in the event of delisting.

The Bonds contained a debt host contract, recognized as bonds payable, and the conversion option, redemption option and put option (collectively the “Bonds Options”) aggregately recognized as financial liabilities at FVTPL. The effective interest rate of the debt host contract was 3.16% and the aggregate fair value of the Bonds Options was NT\$1,667,950 thousand on initial recognition.

- b. In July 2015, the Company offered the forth unsecured convertible overseas bonds (the “Currency Linked Bonds”) in US\$200,000 thousand. The Currency Linked Bonds is zero coupon bonds with the maturity of 2.75 years, in denominations of US\$200 thousand or in any integral multiples thereof.

Repayment, redemption and put amount denominated in U.S. dollar will be converted into New Taiwan dollar amount using a fixed exchange rate of US\$1 to NT\$30.928 (the “Fixed Exchange Rate”) and then converted back to U.S. dollar amount using the applicable prevailing rate at the time of repayment, redemption or put. Each holder of the Currency Linked Bonds has the right at any time on or after August 11, 2015 and up to (and including) March 17, 2018, except during legal lock-up period, to convert the Currency Linked Bonds into common shares at the conversion price NT\$54.55, determined on the basis of the Fixed Exchange Rate. The Company’s treasury shares will be available for delivery upon conversion of the Currency Linked Bonds. The conversion price will be adjusted in accordance with the conversion provisions due to anti-dilution clause. As of December 31, 2016 and 2015, the conversion price was NT\$49.52 and NT\$51.73, respectively.

The Currency Linked Bonds may be redeemed at the option of the Company, in whole or in part, at any time on or after March 19, 2018 provided that (1) the closing price, translated into U.S. dollars, of the common shares for a period of 20 out of 30 consecutive trading days is at least 130% of the conversion price, (2) at least 90% in aggregate principal amount of the Currency Linked Bonds originally outstanding has been redeemed, repurchased and canceled or converted, or (3) the Company is required to pay additional taxes on the Currency Linked Bonds as a result of certain changes in tax laws in the ROC.

Each holder shall have the right to request the Company repurchase all or any portion of the principal amount thereof of a holder’s Currency Linked Bonds (1) in the event of a change of control, or (2) in the event of delisting.

The Currency Linked Bonds contained a debt host contract, recognized as bonds payable, and the conversion option, recognized as capital surplus. The effective interest rate of the debt host contract was 1.58% and the fair value of the conversion option was NT\$214,022 thousand on initial recognition.

- c. To focus on corporate sustainability and to carry out the commitment to environmental protection and energy conservation, Anstock II Limited, a subsidiary the Company 100% owned, offered overseas bonds in US\$300,000 thousand with the maturity of 3 years and annual interest rate of 2.125% (the “Green Bonds”) in July 2014. The Green Bonds are unconditionally and irrevocably guaranteed by the Company and the proceeds were used to fund certain eligible projects to promote the Group’s transition to low-carbon and climate resilient growth.

In January 2017, the Company offered unsecured domestic bonds of NT\$3,700,000 thousand, with a maturity of 5 years in January 2022, and of NT\$ 4,300,000 thousand, with a maturity of 7 years in January 2024, respectively. The interests are both due annually and the interest rates are 1.25% and 1.45%, respectively.

20. OTHER PAYABLES

	December 31	
	2016	2015
	NT\$	NT\$
Accrued salary and bonus	\$ 6,606,406	\$ 5,826,982
Payables for property, plant and equipment	5,605,528	4,782,357
Accrued employees’ compensation and remuneration to directors	2,400,778	2,270,608
Accrued employee insurance	617,419	599,218
Accrued utilities	410,796	466,956
Payables for patents and acquired specific technology (Note 33)	120,938	-
Others	<u>5,760,169</u>	<u>5,248,697</u>
	<u>\$ 21,522,034</u>	<u>\$ 19,194,818</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

- 1) The pension plan under the ROC Labor Pension Act (“LPA”) for the Group’s ROC resident employees is a government-managed defined contribution plan. Based on the LPA, the Company and its subsidiaries in Taiwan makes monthly contributions to employees’ individual pension accounts at 6% of their monthly salaries.
- 2) The subsidiaries located in China, U.S.A., Malaysia, Singapore and Mexico also make contributions at various ranges according to relevant local regulations.

b. Defined benefit plans

- 1) The Company and its subsidiaries in Taiwan joined the defined benefit pension plan under the ROC Labor Standards Law operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the last six months before retirement. The Company and its subsidiaries in Taiwan make contributions based on a certain percentage of their domestic employees monthly salaries to a pension fund administered by the pension fund monitoring committee. Before the end of each year, the Company and its subsidiaries in Taiwan assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company and its subsidiaries in Taiwan are required to fund the difference in one appropriation that should be made before the end of March of the next year. Pension contributions are deposited in the Bank of Taiwan in the committee’s name and are managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company and its subsidiaries in Taiwan have no right to influence the investment policy and strategy.
- 2) ASE Japan has a pension plan under which eligible employees with more than ten years of service are entitled to receive pension benefits based on their length of service and salaries at the time of termination of employment. ASE Japan makes contributions based on a certain amount of pension cost to employees.

ASE Korea also has a pension plan under which eligible employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with ASE Korea, based on their length of service and salaries at the time of termination. ASE Korea makes contributions based on a certain percentage of pension cost to an external financial institution administered by the management and in the names of employees.

- 3) ASE Inc., ASE Test, Inc. and ASE Electronics Inc. maintain pension plans for executive managers. Pension costs under the plans were NT\$6,872 thousand and NT\$2,302 thousand for the years ended December 31, 2016 and 2015, respectively. Pension payments were nil and NT\$2,549 thousand for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, accrued pension liabilities for executive managers were NT\$206,467 thousand and NT\$199,595 thousand, respectively.
- 4) The amounts included in the consolidated balance sheets arising from the Group’s obligation in respect of its defined benefit plans excluding those for executive managers were as follows:

	December 31	
	2016	2015
	NT\$	NT\$
Present value of the defined benefit obligation	\$ 8,389,884	\$ 7,973,676
Fair value of plan assets	<u>(4,417,367)</u>	<u>(3,973,729)</u>
Present value of unfunded defined benefit obligation	3,972,517	3,999,947
Recorded under others payables	(22,273)	(138,959)
Recorded under other current assets	<u>15,542</u>	<u>11,910</u>
Net defined benefit liability	<u>\$ 3,965,786</u>	<u>\$ 3,872,898</u>

Movements in net defined benefit liability (asset) were as follows:

	Present value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liability (asset)
	NT\$	NT\$	NT\$
Balance at January 1, 2016	<u>\$ 7,973,676</u>	<u>\$ (3,973,729)</u>	<u>\$ 3,999,947</u>
Service cost			
Current service cost	329,838	-	329,838
Net interest expense (income)	<u>167,111</u>	<u>(109,080)</u>	<u>58,031</u>
Recognized in profit or loss	<u>496,949</u>	<u>(109,080)</u>	<u>387,869</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	54,549	54,549
Actuarial loss arising from changes in financial assumptions	156,193	-	156,193
Actuarial gain arising from experience adjustments	200,723	-	200,723
Actuarial gain arising from changes in demographic assumptions	<u>5,716</u>	<u>-</u>	<u>5,716</u>
Recognized in other comprehensive income	<u>362,632</u>	<u>54,549</u>	<u>417,181</u>
Contributions from the employer	-	(807,232)	(807,232)
Benefits paid from the pension fund	(308,471)	308,471	-
Benefits paid from the Group	(36,033)	-	(36,033)
Liabilities assumed in a business combination	535	(535)	-
Exchange differences on foreign plans	<u>(99,404)</u>	<u>110,189</u>	<u>10,785</u>
Balance at December 31, 2016	<u>\$ 8,389,884</u>	<u>\$ (4,417,367)</u>	<u>\$ 3,972,517</u> (Continued)

	Present value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liability (asset)
	NT\$	NT\$	NT\$
Balance at January 1, 2015	\$ 7,674,293	\$ (3,502,487)	\$ 4,171,806
Service cost			
Current service cost	335,655	-	335,655
Net interest expense (income)	183,889	(108,356)	75,533
Recognized in profit or loss	<u>519,544</u>	<u>(108,356)</u>	<u>411,188</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	12,426	12,426
Actuarial loss arising from changes in financial assumptions	309,695	-	309,695
Actuarial gain arising from experience adjustments	(243,363)	-	(243,363)
Actuarial gain arising from changes in demographic assumptions	<u>(15,847)</u>	<u>-</u>	<u>(15,847)</u>
Recognized in other comprehensive income	<u>50,485</u>	<u>12,426</u>	<u>62,911</u>
Contributions from the employer	-	(611,581)	(611,581)
Benefits paid from the pension fund	(192,928)	192,928	-
Benefits paid from the Group	(43,088)	-	(43,088)
Exchange differences on foreign plans	<u>(34,630)</u>	<u>43,341</u>	<u>8,711</u>
Balance at December 31, 2015	<u>\$ 7,973,676</u>	<u>\$ (3,973,729)</u>	<u>\$ 3,999,947</u> (Concluded)

5) The fair value of the plan assets by major categories at each balance sheet date was as follows:

	December 31	
	2016	2015
	NT\$	NT\$
Cash	\$ 2,232,367	\$ 2,090,399
Debt instruments	1,030,384	823,496
Equity instruments	1,071,777	1,020,532
Others	<u>82,839</u>	<u>39,302</u>
Total	<u>\$ 4,417,367</u>	<u>\$ 3,973,729</u>

6) Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries in Taiwan are exposed to the following risks:

a) Investment risk

The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

c) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- 7) The management of ASE Korea is responsible for the administration of the fund and determination of the investment strategies according to related local regulations. ASE Korea is responsible for the shortfall between the fund and the defined benefit obligation. Plan assets are invested in the certificates of deposits and debt instruments with well credit rating.
- 8) The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Except the pension plans for executive managers, the key assumptions used for the actuarial valuations were as follow:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rates	0.06%-3.58%	0.15%-3.48%
Expected rates of salary increase	2.00%-4.42%	2.00%-4.57%

Significant actuarial assumptions for the determination of the defined obligation are discount rates and expected rates of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at each balance sheet date, while holding all other assumptions constant.

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>NT\$</u>	<u>NT\$</u>
Discount Rate		
0.5% higher	<u>\$ (464,647)</u>	<u>\$ (444,132)</u>
0.5% lower	<u>\$ 508,862</u>	<u>\$ 497,046</u>
Expected rates of salary increase		
0.5% higher	<u>\$ 500,051</u>	<u>\$ 476,378</u>
0.5% lower	<u>\$ (452,956)</u>	<u>\$ (426,130)</u>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

9) Maturity analysis of undiscounted pension benefit

	December 31	
	2016	2015
	NT\$	NT\$
No later than 1 year	\$ 292,100	\$ 247,030
Later than 1 year and not later than 5 years	1,673,549	1,616,804
Later than 5 years	<u>17,129,585</u>	<u>17,674,518</u>
	<u>\$ 19,095,234</u>	<u>\$ 19,538,352</u>

The Group expects to make contributions of NT\$521,324 thousand and NT\$705,384 thousand to the defined benefit plans in the next year starting from January 1, 2017 and 2016, respectively.

As of December 31, 2016 and 2015, the average duration of the defined benefit obligation excluding those for executive managers of the Group was 8 to 15 years and 8 to 16 years, respectively.

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	<u>10,000,000</u>	<u>10,000,000</u>
Numbers of shares reserved (in thousands)		
Employee share options	<u>800,000</u>	<u>800,000</u>
Shares authorized	<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>
Shares reserved		
Employee share options	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>
Numbers of shares registered (in thousands)	7,936,473	7,902,929
Numbers of shares subscribed in advance (in thousands)	<u>9,711</u>	<u>7,499</u>
Number of shares issued and fully paid (in thousands)	<u>7,946,184</u>	<u>7,910,428</u>

The holders of issued ordinary shares with a par value at \$10 per share are entitled the right to vote and receive dividends, except the shares held by the Group's subsidiaries which are not entitled the right to vote. As of December 31, 2016 and 2015, there were 500,000 thousand ordinary shares included in the authorized shares that were not yet required to complete the share registration process.

In December 2016, the Board of Directors approved the issue of 300,000 thousand ordinary shares for cash capital increase at NT\$34.3 per share. The aforementioned cash capital increase has been approved by the FSC and effectively registered on January 4, 2017. The record date of the cash capital increase was February 15, 2017.

American Depositary Receipts

The Company issued ADSs and each ADS represents five ordinary shares. As of December 31, 2016 and 2015, 125,518 thousand and 115,240 thousand ADSs were outstanding and represented

approximately 627,590 thousand and 576,198 thousand ordinary shares of the Company, respectively.

b. Capital surplus

	December 31	
	2016	2015
	NT\$	NT\$
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 5,844,397	\$ 5,479,616
Arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	7,176,958	7,197,510
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (2)	6,132,777	8,489,984
Arising from treasury share transactions	950,368	717,355
Arising from exercised employee share options	630,411	544,112
Arising from expired employee share options	3,626	3,626
Arising from share of changes in capital surplus of associates	82,243	30,284
<u>May not be used for any purpose</u>		
Arising from employee share options	1,230,247	1,080,590
Arising from equity component of convertible bonds	<u>214,022</u>	<u>214,022</u>
	<u>\$ 22,265,049</u>	<u>\$ 23,757,099</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation was resolved at the Company's annual shareholders' meetings. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to employee benefits expense under profit before income tax in Note 23(e).

The amended Articles of Incorporation of ASE Inc. (the "Articles") in June, 2016 provides that annual net income shall be distributed in the following order:

- 1) Replenishment of deficits;
- 2) 10.0% as legal reserve;

- 3) Special reserve appropriated or reversed in accordance with laws or regulations set forth by the authorities concerned;
- 4) Addition or deduction of realized gains or losses on equity instruments at fair value through other comprehensive income.

The Company is currently in the mature growth stage. To meet the capital needs for business development now and in the future and satisfy the shareholders' demand for cash inflows, the Company shall use residual dividend policy to distribute dividends, of which the cash dividend is not lower than 30% of the total dividend distribution, with the remainder to be distributed in stock. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 resolved at the Company's annual shareholders' meetings in June 2016 and June 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Year 2015	For Year 2014	For Year 2015	For Year 2014
	NT\$	NT\$	NT\$	NT\$
			(in dollars)	(in dollars)
Legal reserve	\$ 1,947,887	\$ 2,359,267		
Cash dividends	<u>12,476,779</u>	<u>15,589,825</u>	\$ 1.60	\$ 2.00
	<u>\$ 14,424,666</u>	<u>\$ 17,949,092</u>		

d. Others equity

- 1) Exchange differences on translating foreign operations

	2016	2015
	NT\$	NT\$
Balance at January 1	\$ 4,493,570	\$ 4,541,761
Exchange differences arising on translating foreign operations	(5,843,856)	11,459
Share of exchange difference of associates and joint venture accounted for using the equity method	<u>(292,438)</u>	<u>(59,650)</u>
Balance at December 31	<u>\$(1,642,724)</u>	<u>\$ 4,493,570</u>

2) Unrealized gain on available-for-sale financial assets

	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Balance at January 1	\$ 588,119	\$ 526,778
Unrealized loss arising on revaluation of available-for-sale financial assets	(257,240)	(4,304)
Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets	7,512	10,827
Share of unrealized gain (loss) on available-for-sale financial assets of associates and joint venture accounted for using the equity method	<u>(579,241)</u>	<u>54,818</u>
Balance at December 31	<u>\$ (240,850)</u>	<u>\$ 588,119</u>

e. Treasury shares (in thousand shares)

	<u>Balance at</u>	<u>Addition</u>	<u>Decrease</u>	<u>Balance at</u>
	<u>January 1</u>			<u>December 31</u>
<u>2016</u>				
Shares held by subsidiaries	145,883	-	-	145,883
Shares reserved for bonds conversion	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
	<u>265,883</u>	<u>-</u>	<u>-</u>	<u>265,883</u>
<u>2015</u>				
Shares held by subsidiaries	145,883	-	-	145,883
Shares reserved for bonds conversion	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
	<u>145,883</u>	<u>120,000</u>	<u>-</u>	<u>265,883</u>

In February 2015, the board of directors approved to repurchase up to 120,000 thousand of the Company's ordinary shares which were reserved for equity conversion of convertible overseas bonds. The Company has completed the repurchase during March 2015 and the shares repurchased accounted for 1.53% of the Company's total issued shares. The average repurchase price was NT\$44.45 per share.

The Company's shares held by its subsidiaries at each balance sheet date were as follows:

	Shares Held By Subsidiaries	Carrying amount	Fair Value
	(in thousand shares)	NT\$	NT\$
<u>December 31, 2016</u>			
ASE Test	88,200	\$ 1,380,721	\$ 2,915,026
J&R Holding	46,704	381,709	1,543,559
ASE Test, Inc.	<u>10,979</u>	<u>196,677</u>	<u>362,849</u>
	<u>145,883</u>	<u>\$ 1,959,107</u>	<u>\$ 4,821,434</u>
<u>December 31, 2015</u>			
ASE Test	88,200	\$ 1,380,721	\$ 3,351,618
J&R Holding	46,704	381,709	1,774,743
ASE Test, Inc.	<u>10,979</u>	<u>196,677</u>	<u>417,193</u>
	<u>145,883</u>	<u>\$ 1,959,107</u>	<u>\$ 5,543,554</u>

Fair values of the Company's shares held by subsidiaries are based on the closing price from an available published price quotation, which is a Level 1 input in terms of IFRS 13, at the balance sheet dates.

The Company issued ordinary shares in connection with its merger with its subsidiaries. The shares held by its subsidiaries were reclassified from investments accounted for using the equity method to treasury shares on the proportion owned by the Company.

Under the Securities and Exchange Act of the ROC, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and voting. The subsidiaries holding treasury shares, however, retain shareholders' rights except the rights to participate in any share issuance for cash and voting.

f. Non-controlling interests

	2016	2015
	NT\$	NT\$
Balance at January 1	\$ 11,503,878	\$ 8,219,097
Attributable to non-controlling interests:		
Share of profit for the year	1,269,560	970,134
Exchange difference on translating foreign operations	(601,787)	(74,968)
Unrealized gain on available-for-sale financial assets	1,129	3,928
Defined benefit plan actuarial gains (losses)	8,846	(3,440)
Non-controlling interest arising from acquisition of subsidiaries (Note 27)	7,021	-
Partial disposal of interests in subsidiaries (Note 28)	26,436	1,712,836
Repurchase of outstanding ordinary shares of subsidiaries (Note 28)	(912,886)	-
Spin-off of subsidiaries	-	3,535

(Continued)

	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Non-controlling interest relating to issue of ordinary shares under employee share options	\$ 927,823	\$ 904,904
Cash dividends to non-controlling interests	<u>(237,850)</u>	<u>(232,148)</u>
Balance at December 31	<u>\$ 11,992,170</u>	<u>\$ 11,503,878</u> (Concluded)

23. PROFIT BEFORE INCOME TAX

a. Other income

	<u>For the Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Government subsidy	\$ 332,758	\$ 176,721
Interest income	230,067	242,084
Rental income	51,607	60,230
Dividends income	<u>26,411</u>	<u>396,973</u>
	<u>\$ 640,843</u>	<u>\$ 876,008</u>

b. Other gains, net

	<u>For the Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Net gain arising on financial instruments held for trading	\$ 224,446	\$ 1,657,093
Net gain on financial assets designated as at FVTPL	223,113	815,742
Foreign exchange gain (loss), net	1,928,384	(713,213)
Impairment loss	(980,117)	(258,129)
Others	<u>28,831</u>	<u>(64,457)</u>
	<u>\$1,424,657</u>	<u>\$1,437,036</u>

c. Finance costs

	<u>For the Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Total interest expense for financial liabilities measured at amortized cost	\$ 2,510,197	\$ 2,514,208
Less: Amounts included in the cost of qualifying assets		
Inventories related to real estate business	(238,469)	(197,287)
Property, plant and equipment	<u>(54,191)</u>	<u>(48,135)</u>
	2,217,537	2,268,786
Other finance costs	<u>43,538</u>	<u>43,357</u>
	<u>\$ 2,261,075</u>	<u>\$ 2,312,143</u>

Information relating to the capitalized borrowing costs was as follows:

	For the Years Ended December 31	
	2016	2015
Annual interest capitalization rates		
Inventories related to real estate business	4.35%-6.00%	4.35%-6.77%
Property, plant and equipment	1.15%-4.42%	0.75%-6.15%

d. Depreciation and amortization

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Property, plant and equipment	\$ 28,961,614	\$ 28,938,770
Intangible assets	<u>460,690</u>	<u>579,894</u>
Total	<u>\$ 29,422,304</u>	<u>\$ 29,518,664</u>
Summary of depreciation by function		
Operating costs	\$ 26,948,106	\$ 27,023,957
Operating expenses	<u>2,013,508</u>	<u>1,914,813</u>
	<u>\$ 28,961,614</u>	<u>\$ 28,938,770</u>
Summary of amortization by function		
Operating costs	\$ 145,953	\$ 124,235
Operating expenses	<u>314,737</u>	<u>455,659</u>
	<u>\$ 460,690</u>	<u>\$ 579,894</u>

e. Employee benefits expense

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 2,356,416	\$ 2,324,737
Defined benefit plans	<u>394,741</u>	<u>413,490</u>
	2,751,157	2,738,227
Equity-settled share-based payments	470,788	133,496
Salary, incentives and bonus	43,491,243	41,985,329
Other employee benefits	<u>6,034,697</u>	<u>5,898,135</u>
	<u>\$ 52,747,885</u>	<u>\$ 50,755,187</u>
Summary of employee benefits expense by function		
Operating costs	\$ 35,588,529	\$ 34,720,359
Operating expenses	<u>17,159,356</u>	<u>16,034,828</u>
	<u>\$ 52,747,885</u>	<u>\$ 50,755,187</u>

To be in compliance with the Company Act as amended in May 2015, the amended Articles of Incorporation of the Company, which has been approved in the shareholders' meeting in June 2016,

stipulates to distribute employees' compensation and remuneration to directors at the rates in 5.25%-8.25% and no higher than 0.75%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. For the years ended December 31, 2016 and 2015, the employees' compensation and the remuneration to directors were accrued based on 8.25% and 0.75% of net profit before income tax, employees' compensation and remuneration to directors, respectively, and were as follows.

	<u>For Year 2016</u>	<u>For Year 2015</u>
	NT\$	NT\$
Employees' compensation	\$ 2,147,323	\$ 2,033,500
Remuneration to directors	195,211	184,500

If there is a change in the proposed amounts after the consolidated financial statements authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration to directors for 2015 were resolved by the board of directors in April 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 were approved in the shareholders' meeting in June 2015. The amounts of the employees' compensation/bonus and remuneration to directors and supervisors are disclosed in the table below. After the amendments to the Articles had been resolved in the shareholders' meeting held in June 2016, the appropriations of the employees' compensation and remuneration to directors for 2015 were reported in the shareholders' meeting.

	<u>For Year 2015</u>	<u>For Year 2014</u>
	NT\$	NT\$
Employees' compensation / Bonus to employees	\$ 2,033,800	\$ 2,335,600
Remuneration to directors / directors and supervisors	140,000	211,200

The differences between the resolved amounts of the employees' compensation and the remuneration to directors and the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2015 and the bonus to employees and remuneration to directors and supervisors and the accrued amounts reflected in the consolidated financial statements for the years ended December 31, 2014 were deemed changes in estimates. The difference was NT\$44,200 thousand and NT\$1,330 thousand and had been adjusted in earnings for the years ended December 31, 2016 and 2015, respectively.

Information on the employees' compensation/ bonus to employees and the remuneration to directors/ remuneration to directors and supervisors resolved by the Company's board of directors and the shareholders' meeting are available on the Market Observation Post System website of the TSE.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<u>For the Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	NT\$	NT\$
Current income tax		
In respect of the current year	\$ 4,177,900	\$ 4,029,076

(Continued)

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Income tax on unappropriated earnings	\$ 529,874	\$ 474,076
Changes in estimate for prior years	<u>28,160</u>	<u>(20,719)</u>
	<u>4,735,934</u>	<u>4,482,433</u>
Deferred income tax		
In respect of the current year	574,541	432,580
Adjustments to attributable to changes in tax rates	14,184	3,794
Changes in estimate for prior years	(26,498)	(20,890)
Effect of foreign currency exchange differences	<u>(206,788)</u>	<u>(58,671)</u>
	<u>355,439</u>	<u>356,813</u>
Income tax expense recognized in profit or loss	<u>\$ 5,091,373</u>	<u>\$ 4,839,246</u>

A reconciliation of income tax expense calculated at the statutory rates and income tax expense recognized in profit or loss was as follows:

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Profit before income tax	<u>\$ 28,041,272</u>	<u>\$ 25,006,896</u>
Income tax expense calculated at the statutory rates	\$ 8,646,523	\$ 6,306,316
Nontaxable expense in determining taxable income	(48,290)	161,362
Tax-exempt income	(700,274)	(537,987)
Additional income tax on unappropriated earnings	529,874	624,564
Loss carry-forward and income tax credits currently used	(898,700)	(1,044,954)
Remeasurement of deferred income tax assets, net	(2,797,673)	(688,584)
Changes in estimate for prior years	28,160	(20,719)
Withholding tax	81,543	39,248
Land value increment tax	<u>249,210</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 5,091,373</u>	<u>\$ 4,839,246</u>

For the years ended December 31, 2016 and 2015, the Group applied a tax rate of 17% for resident entities subject to the Income Tax Law of the ROC; for the subsidiaries located in China, the applied tax rate was 25%; and for other jurisdictions, the Group measures taxes by using the applicable tax rate for each individual jurisdiction.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Deferred income tax		
Related to Employee share options	<u>\$ (204)</u>	<u>\$ (33)</u>

c. Income tax recognized in other comprehensive income

For the Years Ended December 31
2016 **2015**
NT\$ NT\$

Deferred income tax		
Related to remeasurement of defined benefit plans	<u>\$ 73,637</u>	<u>\$ 11,002</u>

d. Current tax assets and liabilities

December 31
2016 **2015**
NT\$ NT\$

Current tax assets		
Tax refund receivable	\$ 260,559	\$ 10,984
Prepaid income tax	<u>211,193</u>	<u>157,733</u>
	<u>\$ 471,752</u>	<u>\$ 168,717</u>
Current tax liabilities		
Income tax payable	<u>\$ 4,352,642</u>	<u>\$ 4,551,785</u>

e. Deferred tax assets and liabilities

The Group offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

The movements of deferred tax assets and deferred tax liabilities were as follows:

	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Differences	Acquisitions through business combinations	Balance at December 31
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Year ended December 31, 2016</u>							
Temporary differences							
Property, plant and equipment	\$ (3,504,458)	\$ (182,291)	\$ -	\$ -	\$ (72,098)	\$ -	\$ (3,758,847)
Defined benefit obligation	845,939	(48,601)	73,637	-	2,509	-	873,484
FVTPL financial instruments	(232,198)	212,737	-	-	(1,902)	-	(21,363)
Others	<u>1,384,987</u>	<u>(283,179)</u>	<u>-</u>	<u>(204)</u>	<u>(21,780)</u>	<u>-</u>	<u>1,079,824</u>
	(1,505,730)	(301,334)	73,637	(204)	(93,271)	-	(1,826,902)
Loss carry-forward	1,323,577	(110,967)	-	-	(91,008)	2,939	1,124,541
Investment credits	<u>351,119</u>	<u>56,862</u>	<u>-</u>	<u>-</u>	<u>(25,245)</u>	<u>-</u>	<u>382,736</u>
	<u>\$ 168,966</u>	<u>\$ (355,439)</u>	<u>\$ 73,637</u>	<u>\$ (204)</u>	<u>\$ (209,524)</u>	<u>\$ 2,939</u>	<u>\$ (319,625)</u>

	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Exchange Differences	Balance at December 31
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Year ended December 31, 2015</u>						
Temporary differences						
Property, plant and equipment	\$ (2,431,855)	\$ (1,083,273)	\$ -	\$ -	\$ 10,670	\$ (3,504,458)
Defined benefit obligation	796,642	20,398	11,002	-	17,897	845,939
FVTPL financial instruments	(170,059)	(62,152)	-	-	13	(232,198)
Others	<u>1,166,297</u>	<u>229,799</u>	<u>-</u>	<u>(33)</u>	<u>(11,076)</u>	<u>1,384,987</u>
	(638,975)	(895,228)	11,002	(33)	17,504	(1,505,730)
Loss carry-forward	519,898	812,217	-	-	(8,538)	1,323,577
Investment credits	694,082	(274,655)	-	-	(68,308)	351,119
Others	<u>(853)</u>	<u>853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 574,152</u>	<u>\$ (356,813)</u>	<u>\$ 11,002</u>	<u>\$ (33)</u>	<u>\$ (59,342)</u>	<u>\$ 168,966</u>

f. Items for which no deferred tax assets have been recognized

Unrecognized deferred tax assets related to loss carry-forward, investment credits and deductible temporary differences were summarized as follows:

	December 31	
	2016	2015
	NT\$	NT\$
Loss carry-forward	\$ 652,593	\$ 666,373
Investment credits	280,068	387,480
Deductible temporary differences	<u>904,441</u>	<u>1,007,105</u>
	<u>\$ 1,837,102</u>	<u>\$ 2,060,958</u>

The unrecognized loss carry-forward will expire through 2030 and the unrecognized investment credits will expire through 2018.

g. Information about unused loss carry-forward, unused investment credits, tax-exemption and other tax relief

As of December 31, 2016, the unused loss carry-forward comprised of:

Year of Expiry	NT\$
2017	\$ 241,278
2018	255,577
2019	291,521
2020	766,478
2021 and thereafter	<u>222,279</u>
	<u>\$ 1,777,133</u>

As of December 31, 2016, unused investment credits comprised of:

Tax Credit Source	Remaining Creditable Amount	Expiry Year
	NT\$	
Purchase of machinery and equipment	\$ 647,923	2018
Others	<u>14,881</u>	2017
	<u>\$ 662,804</u>	

As of December 31, 2016, profits attributable to the following expansion projects were exempted from income tax for a 5-year period:

	Tax-exemption Period
Construction and expansion of 2004 by the Company	2012.01-2016.12
Construction and expansion of 2005 by the Company	2012.01-2016.12
Construction and expansion of 2007 by the Company	2016.01-2020.12

(Continued)

	Tax-exemption Period
Construction and expansion of 2008 by the Company	2014.01-2018.12
Construction and expansion of 2008 by ASE Test Inc.	2014.01-2018.12
Construction and expansion of 2009 by ASE Test Inc.	2018.01-2022.12
Construction of 2005 by ASE Electronics Inc.	2012.01-2016.12
Expansion of 2008 by ASE Electronics Inc.	2016.01-2020.12
	(Concluded)

Some China subsidiaries qualified as high technology enterprises were entitled to a reduced income tax rate of 15% and were eligible to deduct certain times of research and development expenses from their taxable income.

h. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2016 and 2015, the taxable temporary differences associated with the investments in subsidiaries for which no deferred tax liabilities have been recognized were NT\$14,417,873 thousand and NT\$12,676,347 thousand, respectively.

i. Integrated income tax

As of December 31, 2016 and 2015, unappropriated earnings were all generated on and after January 1, 1998. As of December 31, 2016 and 2015, the balance of the Imputation Credit Account was NT\$3,328,374 thousand and NT\$1,913,243 thousand, respectively.

The creditable ratio for the distribution of earnings of 2016 and 2015 was 9.31% (estimated) and 9.65% (actual), respectively.

j. Income tax assessments

Income tax returns of ASE Inc. and its ROC subsidiaries have been examined by authorities through 2012 and through 2013 to 2014, respectively. ASE Inc. and some of its ROC subsidiaries disagreed with the result of examinations relating to its income tax returns for 2004 through 2008 and 2010 through 2012 and appealed to the tax authorities. A settlement was reached in the second quarter of 2015. The related income tax expenses in the years resulting from the examinations have been accrued in respective tax years or in the year of the settlement.

25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Years Ended December 31	
	2016	2015
	NT\$	(Adjusted) NT\$
Profit for the year attributable to owners of the Company	\$ 21,680,339	\$ 19,197,516
Effect of potentially dilutive ordinary shares:		
Employee share options issued by subsidiaries	(374,359)	(210,126)
		(Continued)

	For the Years Ended December 31	
	2015	
	2016	(Adjusted)
	NT\$	NT\$
Investments in associates	\$ (494,388)	\$ -
Convertible bonds	<u>(1,165,506)</u>	<u>901,187</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 19,646,086</u>	<u>\$ 19,888,577</u> (Concluded)

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Years Ended December 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	7,662,870	7,652,773
Effect of potentially dilutive ordinary shares:		
Convertible bonds	515,295	455,671
Employee share options	59,218	86,994
Employees' compensation	<u>46,746</u>	<u>54,626</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>8,284,129</u>	<u>8,250,064</u>

The Group is able to settle the employees' compensation in cash or shares. The Group assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders approve the number of shares to be distributed to employees at their meeting in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plans of the Company and its subsidiaries

In order to attract, retain and reward employees, ASE Inc. has five employee share option plans for full-time employees of the Group, including 100,000 thousand share options approved to be granted in April 2015. There are 5,730 thousand share options of the fifth employee stock option plan that will no longer be issued due to the expiration of grant period. Each share option represents the right to purchase one ordinary share of ASE Inc. when exercised. Under the terms of the plans, share options are granted at an exercise price equal to or not less than the closing price of the ordinary shares listed on the TSE at the grant date. The option rights of these plans are valid for 10 years, non-transferable and exercisable at certain percentages subsequent to the second anniversary of the grant date. For any subsequent changes in the Company's capital structure, the exercise price is accordingly adjusted.

a. ASE Inc. Option Plans

Information about share options was as follows:

	For the Years Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT\$)
Balance at January 1	252,607	\$26.6	209,745	\$20.7
Options granted	-	-	94,270	36.5
Options forfeited	(6,056)	34.6	(1,975)	30.3
Options expired	-	-	(730)	11.1
Options exercised	<u>(35,756)</u>	20.9	<u>(48,703)</u>	20.6
Balance at December 31	<u>210,795</u>	27.3	<u>252,607</u>	26.6
Options exercisable, end of year	<u>123,007</u>	20.8	<u>158,103</u>	20.8
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 7.18-7.39</u>	

The weighted average share price at exercise dates of share options for the years ended December 31, 2016 and 2015 was NT\$36.2 and NT\$38.8, respectively.

Information about the Company's outstanding share options at each balance sheet date was as follows:

	Range of Exercise Price Per Share (NT\$)	Weighted Average Remaining Contractual Life (Years)
December 31, 2016	\$20.4-22.6 36.5	2.5 8.7
December 31, 2015	20.4-22.6 36.5	3.5 9.7

b. ASE Mauritius Inc. Option Plan

ASE Mauritius Inc. has an employee share option plan for full-time employees of the Group which granted 30,000 thousand units in December 2007. Under the terms of the plan, each unit represents the right to purchase one ordinary share of ASE Mauritius Inc. when exercised. The option rights of the plan are valid for 10 years, non-transferable and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about share options was as follows:

	For the Years Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	Exercise Price Per Share (US\$)	Number of Options (In Thousands)	Exercise Price Per Share (US\$)
Balance at January 1	28,470	\$1.7	28,545	\$1.7
Options forfeited	<u>-</u>	-	<u>(75)</u>	1.7
Balance at December 31	<u>28,470</u>	1.7	<u>28,470</u>	1.7
Options exercisable, end of year	<u>28,470</u>	1.7	<u>28,470</u>	1.7

As of December 31, 2016 and 2015, the share options were all vested and the remaining contractual life was 1 years and 2 years, respectively.

c. USIE Option Plans

The terms of the plans issued by USIE were the same with those of the Company's option plans.

Information about share options was as follows:

	For the Years Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US\$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US\$)
Balance at January 1	29,695	\$2.1	34,159	\$2.1
Options forfeited	-	-	(84)	2.8
Options exercised	<u>(3,762)</u>	2.0	<u>(4,380)</u>	1.9
Balance at December 31	<u>25,933</u>	2.2	<u>29,695</u>	2.1
Options exercisable, end of year	<u>25,933</u>	2.2	<u>28,106</u>	2.1

Information about USIE's outstanding share options at each balance sheet date was as follows:

	Range of Exercise Price Per Share (US\$)	Weighted Average Remaining Contractual Life (Years)
December 31, 2016	\$ 1.5 2.4-2.9	4.0 3.9

(Continued)

	Range of Exercise Price Per Share (US\$)	Weighted Average Remaining Contractual Life (Years)
December 31, 2015	\$ 1.5 2.4-2.9	5.0 4.9 (Concluded)

In 2016 and 2015, the Group's shareholdings of USIE decreased due to USIE's share options had been exercised. The transaction was accounted for as an equity transaction since the Group did not cease to have control over USIE and, as a result, capital surplus was decreased by NT\$444,320 thousand and NT\$564,344 thousand in 2016 and 2015, respectively.

d. USISH Option Plans

In November 2015, the shareholders of USISH approved a share option plan for the employees of USISH. Each unit represents the right to purchase one ordinary share of USISH when exercised. The options are valid for 10 years, non-transferable and exercisable at certain percentages subsequent to the second anniversary of the grant date incorporated with certain performance conditions. For any subsequent changes in USISH's capital structure, the exercise price is accordingly adjusted.

Information about share options was as follows:

	For the Years Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (CNY)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (CNY)
Balance at January 1	26,627	\$ 15.5	-	\$ -
Options granted	-	-	26,640	15.5
Options forfeited	<u>(1,630)</u>	15.5	<u>(13)</u>	15.5
Balance at December 31	<u>24,997</u>	15.5	<u>26,627</u>	15.5
Options exercisable, end of year	<u>-</u>	-	<u>-</u>	-
Weighted-average fair value of options granted (CNY)	<u>\$ -</u>		<u>\$ 5.95-7.14</u>	

As of December 31, 2016 and 2015, the remaining contractual life of the share options was 8.9 years and 9.9 years, respectively.

Fair value of share options

Share options granted by the Company and USISH in 2015 were measured using the Hull & White Model (2004) incorporated with Ritchken's Trinomial Tree Model (1995) and the Black-Scholes Option Pricing Model, respectively, and the inputs to the models were as follows:

	ASE Inc.	USISH
Share price at the grant date	NT\$36.5	CNY15.2
Exercise prices	NT\$36.5	CNY15.5
Expected volatility	27.02%	40.33%-45.00%
Expected lives	10 years	10 years
Expected dividend yield	4.00%	0.87%
Risk free interest rates	1.34%	3.06%-3.13%

Expected volatility was based on the historical share price volatility over the past 10 years of ASE Inc. and the comparable companies of USISH, respectively. Under the Hull & White Model (2004) incorporated with Ritchken's Trinomial Tree Model (1995), the Company assumed that employees would exercise the options after vesting date when the share price was 1.88 times the exercise price to allow for the effects of early exercise.

In December 2015, USIE had modified the terms of its option plan granted in 2007 to extend the valid period from 12 years to 13 years. The incremental fair value of NT\$13,721 thousand was all recognized as employee benefits expense in 2015, since the options were all vested.

Employee benefits expense recognized on employee share options was NT\$470,788 thousand and NT\$133,496 thousand for the years ended December 31, 2016 and 2015, respectively.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired	Cash Consideration NT\$
TLJ	Engaged in information software services	May 3, 2016	60%	<u>\$ 89,998</u>

b. Consideration transferred, preliminary fair value of assets acquired and liabilities assumed as well as net cash outflow on acquisition of subsidiaries at the acquisition dates were as follows:

	NT\$
Current assets	\$ 16,645
Non-current assets	4,081
Current liabilities	<u>(7,599)</u>
	13,127
Non-controlling interests	(7,021)
Goodwill	<u>83,892</u>
Total consideration	89,998
Less: Cash and cash equivalent acquired	<u>(16,561)</u>
	<u>\$ 73,437</u>

In May 2016, the Company's subsidiary, ASE Test, Inc., acquired 60% shareholdings of TLJ with a total consideration determined primarily based on independent professional appraisal reports. NT\$41,739 thousand out of the total consideration was paid to key management personnel and related parties. As of December 31, 2016, the Group has not completed the identification of the difference between the cost of the investment and the Group's share of the net fair value of TLJ's identifiable

assets and liabilities and, as a result, the difference was recognized as goodwill provisionally.

28. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

In April 2015, the Group's subsidiary, USIE sold its shareholdings of 54,000 thousand ordinary shares of USISH amounting to CNY1,992,060 thousand and, as a result, the Group's shareholdings of USISH decreased from 82.1% to 77.2%. The transaction was accounted for as an equity transaction since the Group did not cease to have control over USISH and, as a result, capital surplus was increased by NT\$7,197,510 thousand in the second quarter of 2015.

In February 2016, USIE repurchased its own 4,501 thousand outstanding ordinary shares and, as a result, the Group's shareholdings of USIE increased from 96.7% to 98.8%. The transaction was accounted for as an equity transaction since the Group did not cease to have control over USIE and capital surplus was decreased by NT\$1,912,887 thousand in the first quarter of 2016.

In February 2016, the Company disposed 39,603 thousand shares in USI to the Company's subsidiary, UGTW, at NT\$20 per share with a total consideration of NT\$792,064 thousand and, as a result, the Group's shareholdings of USI decreased from 99.0% to 76.5%. The transaction was accounted for as an equity transaction since the Group did not cease to have control over USI and capital surplus was decreased by NT\$20,552 thousand.

29. NON-CASH TRANSACTIONS

For the years ended December 31, 2016 and 2015, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Payments for property, plant and equipment		
Purchase of property, plant and equipment	\$ 27,680,862	\$ 28,280,821
Decrease in prepayments for property, plant and equipment (recorded under the line item of other non-current assets)	(89,337)	(267,334)
(Increase) decrease in payables for property, plant and equipment	(823,171)	2,314,772
Capitalized borrowing costs	<u>(54,191)</u>	<u>(48,135)</u>
	<u>\$ 26,714,163</u>	<u>\$ 30,280,124</u>
Proceeds from disposal of property, plant and equipment		
Consideration from disposal of property, plant and equipment	\$ 692,826	\$ 201,766
(Increase) decrease in other receivables	<u>(22,626)</u>	<u>41,265</u>
	<u>\$ 670,200</u>	<u>\$ 243,031</u>
Payments for other intangible assets		
Purchase for other intangible assets	\$ 675,144	\$ 491,135
	(120,938)	
Increase in other payables		-
Increase in other liabilities	<u>(40,313)</u>	<u>-</u>
	<u>\$ 513,893</u>	<u>\$ 491,135</u>

30. OPERATING LEASE ARRANGEMENTS

Except those discussed in Note 17, the Company and its subsidiary, ASE Test, Inc., lease the land on which their buildings are located under various operating lease agreements with the ROC government expiring through June 2035. The agreements grant these entities the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the leases under certain conditions. In addition, the Group leases buildings, machinery and equipment under operating leases.

The subsidiaries' offices located in U.S.A. and Japan, etc. are leased from other parties and the lease terms will expire through 2017 to 2023 with the option to renew the leases upon expiration.

The Group recognized rental expense of NT\$1,411,533 thousand and NT\$1,390,821 thousand for the years ended December 31, 2016 and 2015, respectively.

31. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. Key management personnel of the Group periodically reviews the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements except those discussed in Note 18.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

1) Fair value of financial instruments not measured at fair value but for which fair value is disclosed

Except bonds payable measured at amortized cost, the management considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values. The carrying amounts and fair value of bonds payable as of December 31, 2016 and 2015, respectively, were as follows:

	Carrying Amount	Fair Value
	NT\$	NT\$
December 31, 2016	\$ 36,999,903	\$ 37,300,356
December 31, 2015	38,426,250	38,465,355

2) Fair value hierarchy

The aforementioned fair value hierarchy of bonds payable was Level 3 which was determined based on discounted cash flow analysis with the applicable yield curve for the duration or the latest trading prices.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	<u>Level 1</u> NT\$	<u>Level 2</u> NT\$	<u>Level 3</u> NT\$	<u>Total</u> NT\$
<u>December 31, 2016</u>				
Financial assets at FVTPL				
Financial assets designated as at FVTPL				
Private-placement convertible bonds	\$ -	\$ 100,583	\$ -	\$ 100,583
Derivative financial assets				
Swap contracts	-	462,339	-	462,339
Forward exchange contracts	-	66,872	-	66,872
Non-derivative financial assets held for trading				
Quoted shares	1,855,073	-	-	1,855,073
Open-end mutual funds	<u>584,945</u>	<u>-</u>	<u>-</u>	<u>584,945</u>
	<u>\$ 2,440,018</u>	<u>\$ 629,794</u>	<u>\$ -</u>	<u>\$ 3,069,812</u>
Available-for-sale financial assets				
Unquoted shares	\$ -	\$ -	\$ 631,418	\$ 631,418
Limited Partnership	-	-	273,372	273,372
Open-end mutual funds	243,458	-	-	243,458
Quoted shares	<u>146,786</u>	<u>-</u>	<u>-</u>	<u>146,786</u>
	<u>\$ 390,244</u>	<u>\$ -</u>	<u>\$ 904,790</u>	<u>\$ 1,295,034</u>
Financial liabilities at FVTPL				
Derivative financial liabilities				
Conversion option, redemption option and put option of convertible bonds	\$ -	\$ 1,213,890	\$ -	\$ 1,213,890
Swap contracts	-	422,934	-	422,934
Forward exchange contracts	-	108,912	-	108,912
Foreign currency option contracts	<u>-</u>	<u>17,924</u>	<u>-</u>	<u>17,924</u>
	<u>\$ -</u>	<u>\$ 1,763,660</u>	<u>\$ -</u>	<u>\$ 1,763,660</u>
<u>December 31, 2015</u>				
Financial assets at FVTPL				
Financial assets designated as at FVTPL				
Structured time deposits	\$ -	\$ 1,646,357	\$ -	\$ 1,646,357
Private-placement convertible bonds	-	100,500	-	100,500

(Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	NT\$	NT\$	NT\$	NT\$
Derivative financial assets				
Swap contracts	\$ -	\$ 1,452,611	\$ -	\$ 1,452,611
Forward exchange contracts	-	18,913	-	18,913
Forward currency options	-	5,020	-	5,020
Non-derivative financial assets held for trading				
Open-end mutual funds	573,242	-	-	573,242
Quoted shares	<u>37,058</u>	<u>-</u>	<u>-</u>	<u>37,058</u>
	<u>\$ 610,300</u>	<u>\$ 3,223,401</u>	<u>\$ -</u>	<u>\$ 3,833,701</u>
Available-for-sale financial assets				
Limited Partnership	\$ -	\$ -	\$ 476,612	\$ 476,612
Unquoted shares	-	-	264,477	264,477
Quoted shares	197,580	-	-	197,580
Open-end mutual funds	<u>16,037</u>	<u>-</u>	<u>-</u>	<u>16,037</u>
	<u>\$ 213,617</u>	<u>\$ -</u>	<u>\$ 741,089</u>	<u>\$ 954,706</u>
Financial liabilities at FVTPL				
Derivative financial liabilities				
Conversion option, redemption option and put option of convertible bonds	\$ -	\$ 2,632,565	\$ -	\$ 2,632,565
Swap contracts	-	290,176	-	290,176
Forward exchange contracts	-	69,207	-	69,207
Foreign currency option contracts	-	13,659	-	13,659
Interest rate swap contracts	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>
	<u>\$ -</u>	<u>\$ 3,005,726</u>	<u>\$ -</u>	<u>\$ 3,005,726</u>

(Concluded)

For the financial assets and liabilities that were measured at fair value on a recurring basis held for the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

2) Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were equity investments with no quoted prices classified as available-for-sale financial assets-non-current. Reconciliations for the years ended December 31, 2016 and 2015 were as follows:

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Balance at January 1	\$ 741,089	\$ 778,866
Purchases	495,928	2,010
Total gains or losses recognized		
In profit or loss	(100,734)	(15,891)
In other comprehensive income	(202,565)	21,195
Disposals	<u>(28,928)</u>	<u>(45,091)</u>
Balance at December 31	<u>\$ 904,790</u>	<u>\$ 741,089</u>

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - swap contracts, forward exchange contracts, foreign currency option contracts and interest rate swap contracts	Discounted cash flows - Future cash flows are estimated based on observable forward exchange rates or interest rates at balance sheet dates and contract forward exchange rates or interest rates, discounted at rates that reflected the credit risk of various counterparties.
Derivatives - conversion option, redemption option and put option of convertible bonds	Option pricing model - Incorporation of present value techniques and reflect both the time value and the intrinsic value of options
Structured time deposits and private-placement convertible bonds	Discounted cash flows - Future cash flows are estimated based on observable forward exchange rates or stock prices at balance sheet dates and contract interest rate ranges or conversion prices, discounted at rates that reflected the credit risk of various counterparties.

b) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the Group's investments in unquoted shares on Level 3 fair value measurement were measured using market approach based on investees' recent financing activities, technical development, valuation of investees comparable companies, market conditions and other economic indicators.

The fair values of investments in limited partnership are measured by estimating future cash inflows from disposal (net of transaction cost). The Group recognized an impairment loss of NT\$90,000 thousand under the line item of other gains, net in the consolidated statements of comprehensive income for the year ended December 31, 2016.

c. Categories of financial instruments

	December 31	
	2016	2015
	NT\$	NT\$
Financial assets		
<hr/>		
FVTPL		
Designated as at FVTPL	\$ 100,583	\$ 1,746,857
Held for trading	2,969,229	2,086,844
Available-for-sale financial assets	1,295,034	954,706
Loans and receivables (Note 1)	92,082,628	101,259,880
<hr/>		
Financial liabilities		
<hr/>		
FVTPL		
Held for trading	1,763,660	3,005,726
Measured at amortized cost (Note 2)	168,397,006	173,294,140

Note 1: The balances included loans and receivables measured at amortized cost which comprise cash and cash equivalents, trade and other receivables and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost which comprise short-term borrowings, short-term bills payable, trade and other payables, bonds payable and long-term borrowings.

d. Financial risk management objectives and policies

The derivative instruments used by the Group are to mitigate risks arising from ordinary business operations. All derivative transactions entered into by the Group are designated as either hedging or trading. Derivative transactions entered into for hedging purposes must hedge risk against fluctuations in foreign exchange rates and interest rates arising from operating activities. The currencies and the amount of derivative instruments held by the Group must match its hedged assets and liabilities denominated in foreign currencies.

The Group's risk management department monitors risks to mitigate risk exposures, reports unsettled position, transaction balances and related gains or losses to the Group's chief financial officer on monthly basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Gains or losses arising from fluctuations in foreign currency exchange rates of a variety of derivative financial instruments were approximately offset by those of hedged items. Interest rate risk was not significant due to the cost of capital was expected to be fixed.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency exchange rate risk

The Group had sales and purchases as well as financing activities denominated in foreign currency which exposed the Group to foreign currency exchange rate risk. The Group entered into a variety of derivative financial instruments to hedge foreign currency exchange rate risk to

minimize the fluctuations of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (including those eliminated upon consolidation) as well as derivative instruments which exposed the Group to foreign currency exchange rate risk at each balance sheet date are presented in Note 36.

The Group was principally subject to the impact to exchange rate fluctuation in US\$ and JPY against NT\$ or CNY. 1% is the sensitivity rate used when reporting foreign currency exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency exchange rates. The sensitivity analysis included financial assets and liabilities and inter-company receivables and payables within the Group. The changes in profit before income tax due to a 1% change in U.S. dollars and Japanese yen both against NT\$ and CNY would be NT\$69,000 thousand and NT\$18,000 thousand for the years ended December 31, 2016 and 2015, respectively. Hedging contracts and hedged items have been taken into account while measuring the changes in profit before income tax. The abovementioned sensitivity analysis mainly focused on the foreign currency monetary items at the end of the year. As the year-end exposure did not reflect the exposure for the years ended December 31, 2016 and 2015, the abovementioned sensitivity analysis was unrepresentative of those years.

b) Interest rate risk

Except a portion of long-term borrowings and bonds payable at fixed interest rates, the Group was exposed to interest rate risk because group entities borrowed funds at floating interest rates. Changes in market interest rates will lead to variances in effective interest rates of borrowings from which the future cash flow fluctuations arise. The Group entered into a variety of derivative financial instruments to hedge interest rate risk to minimize the fluctuations of assets and liabilities denominated in interest rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at each balance sheet date were as follows:

	December 31	
	2016	2015
	NT\$	NT\$
Fair value interest rate risk		
Financial liabilities	\$ 30,243,887	\$ 18,030,482
Cash flow interest rate risk		
Financial assets	29,977,709	53,475,994
Financial liabilities	65,800,323	65,213,083

For assets and liabilities with floating interest rates, a 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel. If interest rates had been 100 basis points (1%) higher or lower and all other variables held constant, the Group's profit before income tax for the years ended December 31, 2016 and 2015 would have decreased or increased approximately by NT\$358,000 thousand and NT\$117,000 thousand, respectively. Hedging contracts and hedged items have taken into account while measuring the changes in profit before income tax. The abovementioned sensitivity analysis mainly focused on the interest rate items at the end of the reporting period. As the period-end exposure did not reflect the exposure for the years ended December 31, 2016 and 2015, the abovementioned sensitivity analysis was unrepresentative of those periods.

c) Other price risk

The Group was exposed to equity or debt price risk through its investments in financial assets at FVTPL, including private-placement convertible bonds, quoted shares, open-end mutual funds, and available-for-sale financial assets. If equity or debt prices were 1% higher or lower, profit before income tax for the years ended December 31, 2016 and 2015 would have increased or decreased approximately by NT\$26,000 thousand and NT\$7,100 thousand, respectively, and other comprehensive income before income tax for the years ended December 31, 2016 and 2015 would have increased or decreased approximately by NT\$13,000 thousand and NT\$10,000 thousand, respectively.

In addition, the Group was also exposed to the Company's ordinary share price risk through Bonds Options recognized as financial liabilities held for trading. 7% is the sensitivity rate used when reporting price risk internally to key management personnel. If the Company's ordinary share price increased or decreased by 7%, profit before income tax for the years ended December 31, 2016 and 2015 would have decreased approximately by NT\$510,000 thousand and NT\$605,000 thousand, respectively, or increased approximately by NT\$445,000 thousand and NT\$638,000 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk arises from cash and cash equivalents, receivables and other financial assets. The Group's maximum exposure to credit risk was the carrying amounts of financial assets in the consolidated balance sheets.

The Group dealt with counterparties creditworthy and has a credit policy and trade receivable management procedures to ensure recovery and evaluation of trade receivables. Except for those discussed in Note 9, the Group's counterparties consisted of a large number of customers and banks and there was no significant concentration of credit risk exposure.

3) Liquidity risk

The Group manages liquidity risk by maintaining adequate working capital and banking facilities to fulfill the demand for cash flow used in the Group's operation and capital expenditure. The Group also monitors its compliance with all the loan covenants. Liquidity risk is not considered to be significant.

In the table below, financial liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of counter-parties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amounts were derived from the interest rates at each balance sheet date.

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	More than 5 Years
December 31, 2016	NT\$	NT\$	NT\$	NT\$	NT\$
Non-derivative financial liabilities					
Non-interest bearing	\$ 23,907,221	\$ 20,553,395	\$ 4,360,322	\$ 42,285	\$ 190,941
Floating interest rate liabilities	9,733,727	5,232,407	6,634,931	44,504,416	1,728,448
Fixed interest rate liabilities	<u>5,360,644</u>	<u>1,019,221</u>	<u>10,549,983</u>	<u>28,553,095</u>	<u>2,062,500</u>
	<u>\$ 39,001,592</u>	<u>\$ 26,805,023</u>	<u>\$ 21,545,236</u>	<u>\$ 73,099,796</u>	<u>\$ 3,981,889</u>

(Continued)

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	More than 5 Years
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>December 31, 2015</u>					
Non-derivative financial liabilities					
Non-interest bearing	\$ 19,393,406	\$ 19,626,026	\$ 6,493,504	\$ 1,926	\$ 194,346
Floating interest rate liabilities	6,617,050	5,677,129	10,582,324	39,202,454	775,273
Fixed interest rate liabilities	<u>16,168,484</u>	<u>2,463,617</u>	<u>24,787,238</u>	<u>18,078,920</u>	<u>-</u>
	<u>\$ 42,178,940</u>	<u>\$ 27,766,772</u>	<u>\$ 41,863,066</u>	<u>\$ 57,283,300</u>	<u>\$ 969,619</u>
					(Concluded)

The amounts included above for floating interest rate instruments for non-derivative financial liabilities was subject to change if changes in floating interest rates differ from those estimates of interest rates determined at each balance sheet date.

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amounts payable or receivable are not fixed, the amounts disclosed have been determined by reference to the projected interest rates as illustrated by the yield curves at each balance sheet date.

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year
	NT\$	NT\$	NT\$
<u>December 31, 2016</u>			
Net settled			
Forward exchange contracts	<u>\$ 22,680</u>	<u>\$ 13,320</u>	<u>\$ -</u>
Foreign currency options	<u>\$ (344)</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Forward exchange contracts			
Inflows	\$ 5,134,196	\$ 912,213	\$ -
Outflows	<u>(5,245,724)</u>	<u>(915,900)</u>	<u>-</u>
	<u>(111,528)</u>	<u>(3,687)</u>	<u>-</u>
Swap contracts			
Inflows	5,345,159	17,399,695	43,537,500
Outflows	<u>(5,439,190)</u>	<u>(17,540,927)</u>	<u>(42,882,201)</u>
	<u>(94,031)</u>	<u>(141,232)</u>	<u>655,299</u>
	<u>\$ (205,559)</u>	<u>\$ (144,919)</u>	<u>\$ 655,299</u>
<u>December 31, 2015</u>			
Net settled			
Forward exchange contracts	<u>\$ (230)</u>	<u>\$ 3,435</u>	<u>\$ -</u>
Foreign currency options	<u>\$ 2,054</u>	<u>\$ 8,735</u>	<u>\$ -</u>

(Continued)

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year
	NT\$	NT\$	NT\$
Gross settled			
Forward exchange contracts			
Inflows	\$ 2,822,265	\$ 2,421,602	\$ -
Outflows	<u>(2,836,080)</u>	<u>(2,429,050)</u>	<u>-</u>
	<u>(13,815)</u>	<u>(7,448)</u>	<u>-</u>
Swap contracts			
Inflows	16,561,521	22,476,799	36,796,825
Outflows	<u>(16,564,549)</u>	<u>(22,007,274)</u>	<u>(35,813,527)</u>
	<u>(3,028)</u>	<u>469,525</u>	<u>983,298</u>
Interest rate swap			
Inflows	12,603	12,466	25,069
Outflows	<u>(11,595)</u>	<u>(11,469)</u>	<u>(23,063)</u>
	<u>1,008</u>	<u>997</u>	<u>2,006</u>
	<u>\$ (15,835)</u>	<u>\$ 463,074</u>	<u>\$ 985,304</u>
			(Concluded)

33. RELATED PARTY TRANSACTIONS

Balances and transactions within the Group had been eliminated upon consolidation. Details of transactions between the Group and other related parties were disclosed as follows:

- a. The Company contributed each NT\$100,000 thousand to ASE Cultural and Educational Foundation in 2016 and 2015, respectively, for environmental charity in promoting the related domestic environmental protection and public service activities (Note 35).
- b. In 2016, the Company acquired patents and acquired specific technology from associate at NT\$403,543 thousand, which was primarily based on independent professional appraisal reports. As of December 31, 2016, NT\$161,250 thousand has not been paid and was accrued under the line item of other payables and other non-current liabilities.
- c. In 2015, the Company acquired real estate from associate at NT\$2,466,000 thousand, which was primarily based on independent professional appraisal reports and fully paid.
- d. The Company contracted with associate to construct a female employee dormitory on current lease property and NT\$875,000 thousand and NT\$504,600 thousand in 2016 and 2015, respectively, which was primarily based on independent professional appraisal reports. As of December 31, 2016, NT\$228,500 thousand has not been paid and was accrued under the line item of other payables.
- a. In February 2016, USIE repurchased its own 1,801 thousand outstanding ordinary shares from the Group's key management personnel with approximately NT\$1,130,650 thousand.

f. Compensation to key management personnel

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
Short-term employee benefits	\$ 790,460	\$ 812,002
Post-employment benefits	4,790	3,944
Share-based payments	<u>11,547</u>	<u>17,937</u>
	<u>\$ 806,797</u>	<u>\$ 833,883</u>

The compensation to the Company's key management personnel is according to personal performance and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

In addition to Note 9, the following assets were provided as collateral for bank borrowings and the tariff guarantees of imported raw materials:

	December 31	
	2016	2015
	NT\$	NT\$
Inventories related to real estate business	\$ 16,813,023	\$ 16,312,519
Other financial assets (including current and non-current)	<u>220,228</u>	<u>229,613</u>
	<u>\$ 17,033,252</u>	<u>\$ 16,542,132</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of each balance sheet date were as follows:

a. Significant commitments

- 1) As of December 31, 2016 and 2015, unused letters of credit of the Group were approximately NT\$97,000 thousand and NT\$93,000 thousand, respectively.
- 2) As of December 31, 2016 and 2015, outstanding commitments to purchase property, plant and equipment of the Group were approximately NT\$6,630,957 thousand and NT\$8,089,200 thousand, respectively, of which NT\$668,509 thousand and NT\$1,756,990 thousand had been prepaid, respectively. As of December 31, 2016 and 2015, the commitment that the Group has contracted for the construction related to our real estate business were approximately NT\$1,574,822 thousand and NT\$2,745,400 thousand, respectively.
- 3) In consideration of corporate social responsibility for environmental protection, the Company's board of directors, in December 2013, approved contributions to be made in the next 30 years, at a total amount of NT\$3,000,000 thousand, at the minimum, to environmental protection efforts in Taiwan. In January 2017, the Company's board of directors approved to contribute NT\$100,000 thousand to ASE Cultural & Educational Foundation for continuously implementing environmental effort in promoting the related domestic environmental protection and public service activities.

b. Non-cancellable operating lease commitments

	December 31, 2016
	<u>NT\$</u>
Less than 1 year	\$ 284,214
1-5 years	355,668
More than 5 years	<u>438,545</u>
	<u>\$ 1,078,427</u>

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand)
<u>December 31, 2016</u>			
Monetary financial assets			
US\$	\$ 3,106,557	US\$1=NT\$32.25	\$ 100,186,466
US\$	1,020,769	US\$1=CNY6.9370	32,919,814
JPY	4,976,309	JPY1=NT\$0.2756	1,371,471
JPY	9,277,760	JPY1=US\$0.0085	2,556,951
Monetary financial liabilities			
US\$	3,013,288	US\$1=NT\$32.25	97,178,536
US\$	891,487	US\$1=CNY6.9370	28,750,462
JPY	5,881,716	JPY1=NT\$0.2756	1,621,001
JPY	9,543,756	JPY1=US\$0.0085	2,630,259
<u>December 31, 2015</u>			
Monetary financial assets			
US\$	2,926,597	US\$1=NT\$32.825	96,065,552
US\$	1,008,097	US\$1=CNY6.4936	33,090,795
JPY	3,380,683	JPY1=NT\$0.2727	921,912
JPY	8,467,689	JPY1=US\$0.0083	2,309,139
Monetary financial liabilities			
US\$	2,988,953	US\$1=NT\$32.825	98,112,393
US\$	995,195	US\$1=CNY6.4936	32,667,265
JPY	3,747,333	JPY1=NT\$0.2727	1,021,898
JPY	8,775,382	JPY1=US\$0.0083	2,393,047

The significant realized and unrealized foreign exchange gain (loss) were as follows:

Functional Currencies	For the Years Ended December 31			
	2016		2015	
	Exchange Rate	Net Foreign Exchange Gain NT\$	Exchange Rate	Net Foreign Exchange Gain (Loss) NT\$
NT\$		\$ 1,494,044		\$ (695,510)
CNY	CNY1=NT\$4.649	224,393	CNY1=NT\$5.0550	(271,358)
US\$	US\$1=NT\$32.25	<u>203,258</u>	US\$1=NT\$32.825	<u>136,795</u>
		<u>\$ 1,921,695</u>		<u>\$ (830,073)</u>

37. OTHERS

- a. In November 2015, the Company received a legal brief filed by SPIL in connection with a lawsuit brought by SPIL against the Company which was filed with Kaohsiung District Court. On June 27, 2016, as SPIL failed to pay the court expenses upon the deadline, the Kaohsiung District Court dismissed the lawsuit pursuant to the relevant law. As a result, the lawsuit does not have material impact on the financial position and the result of operations of the Group.
- b. On December 20, 2013, the Kaohsiung Environmental Protection Bureau (“KEPB”) imposed a fine of NT\$102,014 thousand (“the Administrative Fine”) upon the Company for the violation of the Water Pollution Control Act. The Company filed an administrative appeal to nullify the Administrative Fine, which, however, was dismissed by the Kaohsiung City Government. The Company then filed a lawsuit with the Kaohsiung High Administrative Court seeking to revoke the dismissal decision made by the Kaohsiung City Government (the “Administrative Appeal Decision”) and the Administrative Fine, and to demand a refund of the fine paid by the Company. The judgment of the Kaohsiung High Administrative Court was rendered on March 22, 2016, ruling to revoke the Administrative Appeal Decision and the Administrative Fine, and to dismiss the other complaint filed by the Company (i.e., to demand a refund of the fine paid by the Company). The Company appealed against the unfavorable ruling on April 14, 2016 and the case is now being heard by the Supreme Administrative Court. Meanwhile, owing to the event above, in January 2014, the Kaohsiung District Prosecutors Office charged the Company with violation of the Waste Disposal Act. The Kaohsiung District Court handed down the judgment and the Company was fined NT\$3,000 thousand. Then the Company appealed against the judgment to the Kaohsiung Branch of Taiwan High Court, and the Kaohsiung Branch of Taiwan High Court rendered on September 29, 2015 a final judgment of finding the Company not guilty of the criminal charge.
- c. For the future development and sustainable development of semiconductor industry, the Company’s board of directors approved in June 2016 to enter into and execute a joint share exchange agreement with SPIL to establish ASE Industrial Holding Co., Ltd. (“HoldCo”) and HoldCo will acquire all issued and outstanding shares of both ASE and SPIL in the way of share exchange. The share exchange will be conducted at an exchange ratio of 1 ordinary share of the Company for 0.5 ordinary share of HoldCo, and at NT\$55 in cash per SPIL’s ordinary share, which has been adjusted to NT\$51.2 after SPIL’s appropriation of earnings in 2016 (Note 13).

As of the date the consolidated financial statements were authorized for issue, the share exchange transaction has not been completed. According to the share exchange agreement, the completion of share exchange transaction is subject to the satisfaction or waiver of all conditions precedent (including the unconditional approvals at the Company and SPIL’s shareholders meeting, the approval or consent to consummate the transaction from all relevant competent authorities). Unless the Company and SPIL entering into an another agreement, this share exchange agreement shall be terminated automatically if the aforementioned conditions precedent are not satisfied or to be waived on or before December 31, 2017.

Due to the aforementioned share exchange agreement, treasury shares of the Company and the convertible bonds embedded with conversion option recognized as equity issued by the Company were affected as follows:

- 1) For the outstanding balance of the Bonds, except where the Bonds have been redeemed or repurchased and cancelled or converted by the holders by exercising their conversion rights before the share exchange record date, the holders of the Bonds may, after the Company obtains approval from all relevant competent authorities and after the share exchange record date, convert such outstanding balance into newly issued HoldCo common shares. The conversion shall be subject to applicable laws, the indenture of the Bonds and the share exchange ratio.
- 2) Treasury shares purchased before the share exchange record date for the conversion of the Currency Linked Bonds will be exchanged to HoldCo's ordinary shares, which will still be hold by the Company, based on the agreed share exchange ratio. The conversion price of the Currency Linked Bonds shall also be adjusted in accordance with the agreed share exchange ratio in the joint share exchange agreement.
- 3) For the employee share options issued by the Company upon the approval from relevant competent authorities before the execution of the joint share exchange agreement, HoldCo will assume the Company's obligations under the employee share options as of the share exchange record date. Except that the exercise price and amount shall be adjusted in accordance with the agreed share exchange ratio and that the shares subject to exercise shall be converted into HoldCo's newly issued ordinary shares, all other terms and conditions for issuance will remain the same. The final execution arrangements shall be made by HoldCo in compliance with relevant laws and regulations and subject to the approval of relevant competent authorities.

38. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for ASE Inc.:

- a. Financial provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative financial instruments transaction: Please see Note 7;

- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 10 attached;
- k. Names, locations, and related information of investees over which ASE Inc. exercises significant influence (excluding information on investment in Mainland China): Please see Table 8 attached;
- l. Information on investment in Mainland China
 - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 9 attached;
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please see Table 6 attached;
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None;
 - c) The amount of property transactions and the amount of the resultant gains or losses: No significant transactions;
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please see Table 2 attached;
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None;
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

39. OPERATING SEGMENTS INFORMATION

The Group has the following reportable segments: Packaging, Testing and EMS. The Group packages bare semiconductors into finished semiconductors with enhanced electrical and thermal characteristics; provides testing services, including front-end engineering testing, wafer probing and final testing services; engages in the designing, assembling, manufacturing and sale of electronic components and telecommunications equipment motherboards. Information about other business activities and operating segments that are not reportable are combined and disclosed in "Others." The Group engages in other activities such as substrate production and real estate business.

The accounting policies for segments are the same as those described in Note 4. The measurement basis for resources allocation and performance evaluation is based on profit before income tax.

Segment information for the years ended December 31, 2016 and 2015 was as follows:

a. Segment revenues and results

	<u>Packaging</u> NT\$	<u>Testing</u> NT\$	<u>EMS</u> NT\$	<u>Others</u> NT\$	<u>Total</u> NT\$
<u>For the year ended December 31, 2016</u>					
Revenue from external customers	\$ 125,282,829	\$ 27,031,750	\$ 115,395,130	\$ 7,174,398	\$ 274,884,107
Inter-segment revenues (Note)	4,929,897	243,980	47,721,424	9,186,359	62,081,660
Segment revenues	130,212,726	27,275,730	163,116,554	16,360,757	336,965,767
Interest income	32,499	41,405	130,659	25,504	230,067
Interest expense	(1,727,127)	(5,980)	(44,433)	(439,997)	(2,217,537)
Depreciation and amortization	(18,706,891)	(6,566,936)	(2,759,298)	(1,389,179)	(29,422,304)
Share of the profit of associates and joint ventures	1,536,177	(7,833)	-	-	1,528,344
Impairment loss	(974,095)	(4,136)	(1,886)	-	(980,117)
Segment profit before income tax	13,944,423	7,228,182	4,626,263	2,242,404	28,041,272
Expenditures for segment assets	17,561,135	8,247,003	906,042	966,682	27,680,862
<u>December 31, 2016</u>					
Investments accounted for using the equity method	49,595,750	229,146	-	-	49,824,896
Segment assets	200,602,666	42,964,294	73,915,639	40,460,480	357,943,079
<u>For the year ended December 31, 2015</u>					
Revenue from external customers	116,607,314	25,191,916	138,242,100	3,261,206	283,302,536
Inter-segment revenues (Note)	9,454,671	191,608	58,451,996	7,659,282	75,757,557
Segment revenues	126,061,985	25,383,524	196,694,096	10,920,488	359,060,093
Interest income	53,235	12,536	149,385	26,928	242,084
Interest expense	(1,520,118)	(5,821)	(147,792)	(595,055)	(2,268,786)
Depreciation and amortization	(18,946,460)	(6,516,912)	(2,738,722)	(1,316,570)	(29,518,664)
Share of the profit of associates and joint ventures	121,373	-	-	-	121,373
Impairment loss	(139,397)	-	(102,389)	(16,343)	(258,129)
Segment profit before income tax	15,474,976	6,354,140	2,874,944	302,836	25,006,896
Expenditures for segment assets	19,691,068	4,754,481	2,917,939	917,333	28,280,821
<u>December 31, 2015</u>					
Investments accounted for using the equity method	37,141,552	-	-	-	37,141,552
Segment assets	193,342,612	42,652,569	79,997,341	49,013,678	365,006,200

Note: Inter-segment revenues were eliminated upon consolidation.

b. Revenue from major products and services

	<u>For the Years Ended December 31</u>	
	<u>2016</u> NT\$	<u>2015</u> NT\$
Advanced packaging and IC wirebonding service	\$ 112,838,646	\$ 103,735,586
Wafer probing and final testing service	26,065,195	24,136,399
Electronic components manufacturing service	114,425,790	137,347,359
Others	<u>21,554,476</u>	<u>18,083,192</u>
	<u>\$ 274,884,107</u>	<u>\$ 283,302,536</u>

c. Geographical information

Geographical information about revenue from external customers and noncurrent assets are reported based on the country where the external customers are headquartered and noncurrent assets are located.

1) Net revenues from external customers

	For the Years Ended December 31	
	2016	2015
	NT\$	NT\$
United States	\$ 180,745,837	\$ 205,730,670
Taiwan	38,868,679	32,631,149
Asia	29,896,304	22,885,128
Europe	23,275,732	20,577,069
Others	<u>2,097,555</u>	<u>1,478,520</u>
	<u>\$ 274,884,107</u>	<u>\$ 283,302,536</u>

2) Noncurrent assets, excluding financial instruments, post-employment benefit assets and deferred tax assets

	December 31	
	2016	2015
	NT\$	NT\$
Taiwan	\$ 97,349,392	\$ 98,849,362
China	34,142,577	40,385,484
Others	<u>26,935,370</u>	<u>25,458,503</u>
	<u>\$ 158,427,339</u>	<u>\$ 164,693,349</u>

d. Major customers

Except one customer from which the operating revenues generated from packaging and EMS segments was NT\$66,554,659 thousand and NT\$88,311,697 thousand in 2016 and 2015, respectively, the Group did not have other single customer to which the operating revenues exceeded 10% of operating revenues for the years ended December 31, 2016 and 2015.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the year	Ending Balance	Amount Actual Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	A.S.E. Holding Limited	The Company	Other receivables form related parties	Yes	\$ 2,932,040	\$ 2,902,500	\$ 2,902,500	0.83~1.27	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 3,093,672	\$ 6,187,345
		ASE Trading (Shanghai) Ltd.	Long-term receivables form related parties	Yes	834,000	-	-	-	The need for short-term financing	-	Operating capital Payments for equipment	-	-	-	15,735,521	23,603,281
2	J & R Holding Limited	The Company	Other receivables form related parties	Yes	9,561,000	7,417,500	4,966,500	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	10,305,266	20,610,532
		Global Advanced Packaging Technology Limited	Other receivables form related parties	Yes	2,502,000	548,250	548,250	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE WeiHai Inc.	Other receivables form related parties	Yes	3,000,580	1,515,750	1,515,750	0.76~1.34	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		Omniquiest Industrial Limited	Other receivables form related parties Long-term receivables form related parties	Yes	1,504,536	1,454,475	3,225	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE Assembly & Test (Shanghai) Limited	Long-term receivables form related parties	Yes	567,120	548,250	548,250	0.84~1.34	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		Anstock Limited	Other receivables form related parties Long-term receivables form related parties	Yes	2,113,290	1,901,441	1,761,971	4.52~7.17	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE Trading (Shanghai) Ltd.	Long-term receivables form related parties	Yes	5,004,000	-	-	-	The need for short-term financing	-	Operating capital Payments for equipment	-	-	-	15,735,521	23,603,281
		Innosource Limited	Long-term receivables form related parties	Yes	733,920	3,225	3,225	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE Corporation	Long-term receivables form related parties	Yes	3,063,750	3,063,750	3,063,750	0.85~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE Labuan Inc.	Long-term receivables form related parties	Yes	645,500	645,000	645,000	0.85~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
3	ASE Test Limited	The Company	Other receivables form related parties	Yes	5,901,750	5,901,750	5,901,750	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	6,260,537	12,521,074
		A.S.E. Holding Limited	Long-term receivables form related parties	Yes	2,257,500	2,257,500	2,257,500	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		Omniquiest Industrial Limited	Long-term receivables form related parties	Yes	3,098,425	1,451,250	1,451,250	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		ASE Investment (Labuan) Inc.	Long-term receivables form related parties	Yes	489,225	483,750	483,750	0.83~1.02	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		J & R Holding Limited	Long-term receivables form related parties	Yes	645,000	645,000	645,000	1.16	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
4	ASE Test, Inc.	The Company	Other receivables form related parties	Yes	5,600,000	5,600,000	5,600,000	0.73~0.81	The need for short-term financing	-	Operating capital	-	-	-	5,886,491	11,772,981
		ASE Trading (Shanghai) Ltd.	Other receivables form related parties	Yes	667,200	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	5,886,491	11,772,981
		ASE Corporation	Other receivables form related parties	Yes	1,910,076	-	-	0.76~0.81	The need for short-term financing	-	Operating capital	-	-	-	5,886,491	11,772,981

(Continued)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the year	Ending Balance	Amount Actual Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
5	J&R Industrial Inc.	ASE Investment (Labuan) Inc.	Other receivables form related parties	Yes	\$ 2,668,800	\$ 1,269,163	\$ -	0.73~0.80	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 5,886,491	\$ 11,772,981
		Advanced Microelectronic Products Inc.	Other receivables form related parties	Yes	75,000	-	-	3.33	The need for short-term financing	-	Operating capital	-	-	-	5,886,491	11,772,981
		Omniquest Industrial Limited	Other receivables form related parties	Yes	1,612,500	1,612,500	1,550,000	0.73~0.74	The need for short-term financing	-	Operating capital	-	-	-	5,886,491	11,772,981
		The Company	Other receivables form related parties	Yes	190,000	190,000	190,000	0.73~0.81	The need for short-term financing	-	Operating capital	-	-	-	200,133	400,267
		ASE Electronics Inc.	Other receivables form related parties	Yes	190,000	190,000	190,000	0.73~0.81	The need for short-term financing	-	Operating capital	-	-	-	200,133	400,267
6	ISE Labs, Inc.	J & R Holding Limited	Long-term receivables form related parties	Yes	1,534,560	1,483,500	1,483,500	0.92~1.40	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
7	ASE (Korea) Inc.	The Company	Other receivables form related parties	Yes	3,002,400	2,418,750	2,418,750	2.76~3.62	The need for short-term financing	-	Operating capital	-	-	-	3,154,015	6,308,030
		ASE WeiHai Inc.	Other receivables form related parties	Yes	3,665,050	1,290,000	1,290,000	2.46~3.44	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
8	ASE Japan Co., Ltd.	J & R Holding Limited	Other receivables form related parties	Yes	2,642,650	2,397,720	2,397,720	0.43~0.53	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
9	USI Enterprise Limited	The Company	Other receivables form related parties	Yes	7,584,625	7,578,750	7,578,750	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	8,081,317	16,162,634
		USIINC	Other receivables form related parties	Yes	2,268,480	2,193,000	1,935,000	0.83~1.42	The need for short-term financing	-	Operating capital	-	-	-	8,081,317	16,162,634
		J&R Holding Limited	Other receivables form related parties	Yes	6,475,392	1,290,000	1,290,000	0.83~3.37	The need for short-term financing	-	Operating capital	-	-	-	8,081,317	16,162,634
		Global Advanced Packaging Technology Limited	Other receivables form related parties	Yes	2,096,250	2,096,250	2,096,250	1.16	The need for short-term financing	-	Operating capital	-	-	-	8,081,317	16,162,634
10	Huntington Holdings International Co.Ltd.	The Company	Other receivables form related parties	Yes	1,834,800	1,612,500	1,612,500	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	8,784,812	17,569,625
11	Anstock Limited	ASE Assembly & Test (Shanghai) Limited	Other receivables form related parties Long-term receivables form related parties	Yes	3,274,092	1,841,004	1,841,004	4.45~8.93	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
12	ASE (Kun Shan) Inc.	ASE Investment (Kun Shan) Limited	Other receivables form related parties	Yes	2,039	1,999	1,999	4.35~4.85	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
13	Real Tech Holdings Limited	The Company	Other receivables form related parties	Yes	4,003,200	1,773,750	1,773,750	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	8,371,228	16,742,456
14	Shanghai Ding Hui Real Estate Development Co., Ltd.	Kun Shan Ding Hong Real Estate Development Co., Ltd.	Other receivables form related parties	Yes	687,407	348,675	348,675	4.35~6.00	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		Shanghai Ding Qi Property Management Co., Ltd.	Other receivables form related parties	Yes	14,984	13,947	13,947	4.35	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
15	Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Global Technology (Kunshan) Co., Ltd.	Other receivables form related parties	Yes	1,527,570	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	7,026,188	14,052,375
		Universal Global Technology (Shanghai) Co., Ltd.	Other receivables form related parties	Yes	6,493,110	2,556,950	464,900	0.80~1.75	The need for short-term financing	-	Operating capital	-	-	-	7,026,188	14,052,375
		Universal Global Technology Co., Limited	Other receivables form related parties	Yes	6,110,280	2,789,400	-	-	The need for short-term financing	-	Operating capital	-	-	-	7,026,188	14,052,375

(Continued)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actual Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
		Universal Global Electronics (Shanghai) Co., Ltd.	Other receivables form related parties	Yes	\$ 509,190	\$ -	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 7,026,188	14,052,375
16	Omniquest Industrial Limited	The Company	Other receivables form related parties	Yes	3,169,200	3,063,750	3,001,250	0.83~1.27	The need for short-term financing	-	Operating capital	-	-	-	3,187,078	6,374,157
17	Anstock II Limited	J & R Holding Limited	Other receivables form related parties	Yes	9,907,920	9,578,250	9,578,250	2.45	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
18	USI Electronics (Shenzhen) Co., Ltd.	Universal Global Technology (Shanghai) Co., Ltd.	Other receivables form related parties	Yes	1,559,740	1,510,925	1,466,741	0.80~1.75	The need for short-term financing	-	Operating capital	-	-	-	1,990,218	3,980,437
19	ASE Assembly & Test (Shanghai) Limited	Universal Global Technology Co., Limited	Other receivables form related parties	Yes	1,526,265	1,510,925	967,503	0.8	The need for short-term financing	-	Operating capital	-	-	-	1,990,218	3,980,437
		ASE Trading (Shanghai) Ltd.	Long-term receivables form related parties	Yes	1,000,800	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		Shanghai Ding Wei Real Development Co., Ltd.	Other receivables form related parties	Yes	464,900	464,900	464,900	4.35	The need for short-term financing	-	Operating capital	-	-	-	-	-
20	ASE Trading (Shanghai) Ltd.	J & R Holding Limited	Long-term receivables form related parties	Yes	6,672,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
		A.S.E. Holding Limited	Long-term receivables form related parties	Yes	3,336,000	-	-	-	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
21	ASE (Shanghai) Inc.	ASE WeiHai Inc.	Other receivables form related parties	Yes	166,800	-	-	1.12~1.19	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
22	Innosource Limited	The Company	Other receivables form related parties	Yes	733,920	-	-	0.83~0.89	The need for short-term financing	-	Operating capital	-	-	-	848,863	1,697,726
23	ASE Investment (Labuan) Inc.	The Company	Other receivables form related parties	Yes	3,105,880	2,996,025	1,770,525	0.76~1.27	The need for short-term financing	-	Operating capital	-	-	-	3,188,947	6,377,894
24	Global Advanced Packaging Technology Limited	The Company	Other receivables form related parties	Yes	2,096,250	2,096,250	2,096,250	0.83~1.45	The need for short-term financing	-	Operating capital	-	-	-	2,206,319	4,412,638
25	ASE Corporation	The Company	Other receivables form related parties	Yes	3,063,750	3,063,750	3,063,750	0.76~1.27	The need for short-term financing	-	Operating capital	-	-	-	3,188,378	6,376,756
26	ASE Electronics Inc.	The Company	Other receivables form related parties	Yes	300,000	300,000	300,000	0.74~0.81	The need for short-term financing	-	Operating capital	-	-	-	819,814	1,639,627
27	ASE Singapore Pte. Ltd.	A.S.E. Holding Limited	Other receivables form related parties	Yes	400,320	-	-	0.83~0.89	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281
28	Universal Scientific (Kunshan) Co., Ltd.	Universal Global Technology (Shanghai) Co., Ltd.	Other receivables form related parties	Yes	399,576	371,920	232,450	1.75	The need for short-term financing	-	Operating capital	-	-	-	571,816	1,143,632
29	ASE Labuan Inc.	The Company	Other receivables form related parties	Yes	645,500	645,000	645,000	0.85~1.27	The need for short-term financing	-	Operating capital	-	-	-	823,471	1,646,942
30	ASE Electronics (M) SDN. BHD.	J & R Holding Limited	Other receivables form related parties	Yes	258,000	258,000	225,750	1.16	The need for short-term financing	-	Operating capital	-	-	-	15,735,521	23,603,281

(Concluded)

Note 1: Limit amount of lending to a company shall not exceed 20% of the net worth of the company. However, when the foreign subsidiaries whose voting shares are 100% owned directly or indirectly, by ASE as a lender, the amount lending to a company shall not exceed 10% of the net worth of ASE.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary provided that the total amount of such financing facility shall not exceed 40% of the amount of the net worth of the lending company. However, the foreign subsidiaries whose voting shares are 100% owned directly or indirectly, by ASE as a lender, the total amount lending to a company shall not exceed 15% of the net worth of ASE.

Note3: Amount was eliminated based on the audited financial statements.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider Name	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statement	Maximum Endorsement /Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland CHINA
		Name	Nature of Relationship										
0	The Company	Anstock Limited	100% voting shares indirectly owned by the Company	\$ 47,206,562	\$ 2,653,363 (Note 3)	\$ - (Note 3)	\$ - (Note 3)	\$ -	-	\$ 62,942,082	Yes	No	No
		Anstock II Limited	100% voting shares indirectly owned by the Company	47,206,562	10,327,005 (Note 3)	9,880,594 (Note 3)	9,766,375 (Note 3)	-	6.3	62,942,082	Yes	No	No
1	Shanghai Ding Hui Real Estate Development Co., Ltd.	Kun Shan Ding Hong Real Estate Development Co., Ltd.	100% voting shares directly owned by the Company	13,372,559	633,647 (Note 3)	- (Note 3)	- (Note 3)	-	-	19,103,656	Yes	No	Yes

Note 1: The ceilings on the amounts for any single entity is permitted to make in endorsements/guarantees shall not exceed 30% and 70% of total equity of shareholders, respectively, according to “The Process of make in endorsements/guarantees” of ASE and DH.

Note 2: The ceilings on the aggregate amounts are permitted to make in endorsements/guarantees shall not exceed 40% and 100% of total equity of shareholders, respectively, according to “The Process of make in endorsements/guarantees” of ASE and DH.

Note 3: Amount was included principal and interest.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2016				Note
				Shares/ Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	H&HH Venture Investment Corporation	-	Available-for-sale financial assets - non-current	884,832	\$ -	15	\$ -	
	H&D Venture Capital Investment Corporation	-	Available-for-sale financial assets - non-current	1,613,793	27,164	13	27,164	
	MiTAC Information Technology Corp	-	Available-for-sale financial assets - non-current	4,203	12	-	12	
	Asia Pacific Emerging Industry Venture Capital Co, Ltd.	-	Available-for-sale financial assets - non-current	6,000,000	38,262	7	38,262	
	StarChips Technology Inc.	-	Available-for-sale financial assets - non-current	333,334	-	6	-	
The Company	Bond							
	AMPI Second Private of Domestic Unsecured Convertible Bonds	-	Financial assets at fair value through profit or loss - current	1,000	100,583	-	100,583	
	Limited Liability Partnership							
Ripley Cable Holdings I, L.P.	-	Available-for-sale financial assets - non-current	-	219,921	4	219,921		
ASE Test, Inc.	Stock							
	The Company	Parent Company	Available-for-sale financial assets - non-current	10,978,776	362,849	-	362,849	
	Powertec Energy Corporation	-	Available-for-sale financial assets - non-current	97,000,000	226,994	4	226,994	
	MiTAC Information Technology Corp	-	Available-for-sale financial assets - non-current	1,133,363	3,174	1	3,174	
	HanTech Venture Capital Corporation	-	Available-for-sale financial assets - non-current	7,725,000	63,502	7	63,502	
	Fund							
	CTBC Hua-win Money Market Fund	-	Available-for-sale financial assets - current	18,323,744	200,011	-	200,011	
CTBC Global Real Estate Income Fund-A	-	Available-for-sale financial assets - current	2,500,000	23,425	-	23,425		
The Company	Corporate bond							
	Nan Shan Life Insurance Co., Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016	-	Other financial assets - non-current	1,000	1,000,000	-	1,000,000	
J&R Industrial Inc.	Fund							
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	33,664,705	473,693	-	473,693	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,575,019	23,105	-	23,105	
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,616,592	31,046	-	31,046	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,833,825	45,664	-	45,664	
Luchu Development Corporation	Stock							
Powerchip Technology Corporation	-	Available-for-sale financial assets - non-current	1,677,166	38,231	-	38,231		
A.S.E. Holding Limited	Stock							
	Global Strategic Investment Inc.	-	Available-for-sale financial assets - non-current	490,000	US\$ 546 thousand	3	US\$ 546 thousand	
	SiPhoton, Inc.	-	Available-for-sale financial assets - non-current	544,800	-	4	-	
Global Strategic Investment, Inc. (Samoa)	-	Available-for-sale financial assets - non-current	869,891	US\$ 450 thousand	2	US\$ 450 thousand		
J & R Holding Limited	Stock							
The Company	Parent Company	Available-for-sale financial assets - non-current	46,703,763	US\$ 47,862 thousand	1	US\$ 47,862 thousand		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2016				Note
				Shares/ Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
ASE Test Limited	Limited Liability Partnership							
	Crimson Velocity Fund, L.P.	-	Available-for-sale financial assets - non-current	-	US\$ 804 thousand	-	US\$ 804 thousand	
	H&QAP Greater China Growth Fund, L.P.	-	Available-for-sale financial assets - non-current	-	US\$ 853 thousand	8	US\$ 853 thousand	
	Stock							
	The Company	Parent Company	Available-for-sale financial assets - non-current	88,200,472 (Note)	US\$ 90,388 thousand	1	US\$ 90,388 thousand	
Shanghai Ding Hui Real Estate Development Co., Ltd.	Fund							
	180ETF	-	Financial assets at fair value through profit or loss - current	447,825	CNY 1,319 thousand	-	CNY 1,319 thousand	
	300ETF	-	Financial assets at fair value through profit or loss - current	339,700	CNY 1,141 thousand	-	CNY 1,141 thousand	
	Stock							
	Gree Electric Appliances, Inc. Of Zhuhai	-	Financial assets at fair value through profit or loss - current	28,000	CNY 689 thousand	-	CNY 689 thousand	
	Saic Motor Corporation Limited	-	Financial assets at fair value through profit or loss - current	19,250	CNY 451 thousand	-	CNY 451 thousand	
	Central China Securities	-	Financial assets at fair value through profit or loss - current	1,000	CNY 4 thousand	-	CNY 4 thousand	
USIINC	Stock							
	Allied Circuit Co., Ltd	-	Available-for-sale financial assets - current	827,009	\$ 23,239	2	\$ 23,239	
	Universal Venture Capital Investment Corporation	-	Available-for-sale financial assets - non-current	6,200,000	35,973	5	35,973	
	Gapertise Inc.	-	Available-for-sale financial assets - non-current	247,500	3,614	4	3,614	
	WellySun Inc.	-	Available-for-sale financial assets - non-current	108,000	1,293	1	1,293	
	Plasmag Technology Inc.	-	Available-for-sale financial assets - non-current	733,000	-	2	-	
Huntington Holdings International Co., Ltd.	Stock							
	United Pacific Industrial Ltd.	-	Financial assets at fair value through profit or loss - current	5,548,800	US\$ 351 thousand	-	US\$ 351 thousand	
	Cadence Design SYS Inc.	-	Financial assets at fair value through profit or loss - current	9,633	US\$ 243 thousand	-	US\$ 243 thousand	
	Solid Gain Investments Ltd.	-	Available-for-sale financial assets - non-current	1,322,833	US\$ 710 thousand	20	US\$ 710 thousand	
	Preferred Stock							
	Techgains I Corporation	-	Available-for-sale financial assets - non-current	526,732	US\$ 267 thousand	10	US\$ 267 thousand	
	Techgains II Corporation	-	Available-for-sale financial assets - non-current	669,705	US\$ 185 thousand	4	US\$ 185 thousand	
Unitech Holdings International Co., Ltd.	Stock							
	United Pacific Industrial Ltd.	-	Financial assets at fair value through profit or loss - current	5,613,600	US\$ 355 thousand	-	US\$ 355 thousand	
	WacomCo., Ltd.	-	Available-for-sale financial assets - non-current	1,200,000	US\$ 3,138 thousand	1	US\$ 3,138 thousand	
	Sequans Communications SA	-	Available-for-sale financial assets - non-current	370,554	US\$ 693 thousand	1	US\$ 693 thousand	
	Asia Global Venture Co., Ltd.	-	Available-for-sale financial assets - non-current	1,000,000	US\$ 576 thousand	10	US\$ 576 thousand	
UGTW	Fund							
	Franklin U.S. Government Money Fund	-	Available-for-sale financial assets - current	1,956,583	\$ 20,022	-	\$ 20,022	
	Stock							
	TriKnight Capital Corporation	-	Available-for-sale financial assets - non-current	10,500,000	105,000	5	105,000	

(Concluded)

Note: ASE, Inc.'s ordinary shares held by ASE Test Limited was 88,200,472 shares and were all trusted without power to decide the allocation of the trust assets.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units	Amount (Note 1)	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount (Note 1)
The Company	Stock USI	Investments accounted for using the equity method	(Note 2)	Subsidiary	39,603,222	\$ 1,187,548	-	\$ -	39,603,222	\$ 792,064	\$ 1,242,836	\$ -	-	\$ -
	SPIL	Investments accounted for using the equity method	(Note 3)	Associate	779,000,000	35,141,701	258,300,000	13,735,498	-	-	-	-	1,037,300,000	45,884,727
	Deca Technologies Inc.,	Investments accounted for using the equity method	(Note 4)	Associate	-	-	98,489,803	1,934,062	-	-	-	-	98,489,803	1,820,329
ASE Test, Inc.	Fund UPAMC JAMES BOND MONEY MARKET FUND	Available-for-sale financial assets - current	-	-	-	-	18,170,696	300,000	18,170,696	300,454	300,000	454	-	-
	CTBC Hua-win Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	36,700,692	400,000	18,376,948	200,311	200,000	311	18,323,744	200,011
	Corporate bond Nan Shan Life Insurance Co., Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016	Other financial assets - non-current	-	-	-	-	1,000	1,000,000	-	-	-	-	1,000	1,000,000
Innosource Limited	Stock ASE Module (Shanghai) Inc.	Investments accounted for using the equity method	(Note 5)	Subsidiary	-	US\$ 18,777 thousand	-	-	-	US\$ 17,411 thousand	US\$ 17,411 thousand	-	-	-
	ASE (Shanghai) Inc.	Investments accounted for using the equity method	(Note 5)	Subsidiary	-	-	-	US\$ 17,411 thousand	-	-	-	-	-	US\$ 28,545 thousand
ASE (Shanghai) Inc.	Stock ASE Module (Shanghai) Inc.	Investments accounted for using the equity method	(Note 5)	Associate	-	-	-	US\$ 17,411 thousand	-	-	-	-	-	US\$ 1,123 thousand
UGTW	Stock USI	Investments accounted for using the equity method	(Note 2)	Subsidiary	-	-	39,603,222	\$ 894,612	-	-	-	-	39,603,222	\$ 1,000,490
Universal Global Technology Co., Limited	Stock UGTW	Investments accounted for using the equity method	(Note 4)	Subsidiary	98,000,000	US\$ 83,745 thousand	100,000,000	US\$ 31,835 thousand	-	-	-	-	198,000,000	US\$ 137,978 thousand
USISH	Stock Universal Global Technology Co., Limited	Investments accounted for using the equity method	(Note 4)	Subsidiary	390,000,000	CNY 1,421,145 thousand	387,716,500	CNY 338,205 thousand	-	-	-	-	777,716,500	CNY 2,200,741 thousand

Note 1: The ending balance of investments accounted for using the equity method included share of profits/losses of investees and other adjustment related to equity. The ending balance of other financial assets included fair value adjustments.

Note 2: Organization restructure due to the acquisition of USI by UGTW.

Note 3: Acquired from the open market.

Note 4: Capital increase in cash.

Note 5: ASE (Shanghai) Inc. acquired ASE Module (Shanghai) Inc.'s ordinary shares held by Innosource Limited by issuing ordinary shares.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts In Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Date (Tax excluded)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Facilities and equipment of ASE's Kaohsiung factory Processing Zone, Kaohsiung City	January 1, 2016 ~ December 31, 2016	\$ 473,529	There is 129,323 thousand will be paid after acceptance check.	United Integrated Services Co., Ltd.	-	-	-	-	\$ -	Request for quotation, price comparison and price negotiation	Facilities and equipment expansion	None
	The building construction of female employee dormitory of ASE's Kaohsiung factory	January 1, 2016 ~ December 31, 2016	370,400	There is 228,500 thousand will be paid after acceptance check.	Hu Hwa Construction Co., Ltd.	Associate	-	-	-	-	Based on independent professional appraisal reports	To manage the demand for accommodation resulted from the recruitment accommodation safety and quality for female employees	None
ASE (Korea) Inc.	New Production Building Interior work	August 17, 2016 ~ December 19, 2016	753,453	There is 463,283 thousand will be paid after acceptance check.	Hyundai Engineering & Construction	-	-	-	-	-	Request for quotation, price comparison and price negotiation	Facilities and equipment expansion	None
	RO,DI,WWT Expansion Work	August 1, 2016 ~ November 28, 2016	347,747	There is 84,512 thousand will be paid after acceptance check.	EnTech	-	-	-	-	-	Request for quotation, price comparison and price negotiation	Facilities and equipment expansion	None

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	ASE (Shanghai) Inc.	Subsidiary	Purchases	\$ 2,114,192	6	Net 60 days from the end of the month of when invoice is issued	\$ -	-	\$ (510,991)	(6)	Note
	ASE Electronics Inc.	Subsidiary	Purchases	2,480,624	7	Net 60 days from the end of the month of when invoice is issued	-	-	(514,799)	(6)	Note
	ASE Test, Inc.	Subsidiary	Purchases	126,024	-	Net 60 days from the end of the month of when invoice is issued	-	-	(85)	-	Note
	Universal Scientific Industrial Co., Ltd.	Subsidiary	Sales	(4,475,225)	(5)	Net 60 days from the end of the month of when invoice is issued	-	-	1,702,509	9	Note
	ISE Labs, Inc.	Subsidiary	Sales	(167,245)	-	Net 45 days from invoice date	-	-	24,814	-	Note
	ASE Japan Co., Ltd.	Subsidiary	Sales	(107,254)	-	Net 60 days from the end of the month of when invoice is issued	-	-	17,413	-	Note
ASE Assembly & Test (Shanghai) Limited	ASE (Shanghai) Inc.	Associate	Purchases	182,476	6	Net 60 days from the end of the month of when invoice is issued	-	-	(13)	-	Note
	ASE Electronics Inc.	Associate	Purchases	163,924	6	Net 60 days from the end of the month of when invoice is issued	-	-	(4,110)	(1)	Note
	Advanced Semiconductor Engineering (HK) Limited	Associate	Purchases	211,167	7	Net 45 days from invoice date	-	-	(94,072)	(17)	Note
Advanced Semiconductor Engineering (HK) Limited	ASE (Shanghai) Inc.	Parent company	Purchases	1,566,836	100	Net 90 days from the end of the month of when invoice is issued	-	-	(382,786)	(100)	Note
	ASE Assembly & Test (Shanghai) Limited	Associate	Sales	(211,167)	(14)	Net 45 days from invoice date	-	-	94,072	28	Note
ASE Electronics (M) Sdn. Bhd.	ASE Electronics Inc.	Associate	Purchases	466,944	28	Net 60 days from invoice date	-	-	(91,153)	(32)	Note
ISE Labs, Inc.	The Company	The Ultimate Parent of the Company	Purchases	167,245	57	Net 45 days from invoice date	-	-	(24,814)	(30)	Note
Universal Scientific Industrial Co., Ltd.	The Company	The Ultimate Parent of the Company	Purchases	4,475,225	20	Net 60 days from the end of the month of when invoice is issued	-	-	(1,701,561)	(35)	Note
ASE (Shanghai) Inc.	The Company	The Ultimate Parent of the Company	Sales	(2,114,192)	(45)	Net 60 days from the end of the month of when invoice is issued	-	-	511,960	49	Note
	ASE Assembly & Test (Shanghai) Limited	Associate	Sales	(182,476)	(4)	Net 60 days from invoice date	-	-	13	-	Note
	Advanced Semiconductor Engineering (HK) Limited	Subsidiary	Sales	(1,566,836)	(33)	Net 90 days from the end of the month of when invoice is issued	-	-	382,786	37	Note
ASE Electronics Inc.	The Company	The Ultimate Parent of the Company	Sales	(2,480,624)	(55)	Net 60 days from the end of the month of when invoice is issued	-	-	544,192	55	Note
	ASE Electronics (M) Sdn. Bhd.	Associate	Sales	(466,944)	(10)	Net 60 days from invoice date	-	-	91,172	9	Note
	ASE Assembly & Test (Shanghai) Limited	Associate	Sales	(163,924)	(4)	Net 60 days from the end of the month of when invoice is issued	-	-	4,110	-	Note
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Associate	Sales	(230,243)	(5)	Net 60 days from the end of the month of when invoice is issued	-	-	64,171	7	Note

(Continued)

Buyer	Related Party	Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ASE Test, Inc.	The Company	The Ultimate Parent of the Company	Sales	\$ (189,345)	(2)	Net 60 days from the end of the month of when invoice is issued	\$ -	-	\$ 1,935,712	\$ 69	Note
ASE Japan Co., Ltd.	The Company	The Ultimate Parent of the Company	Purchases	107,254	43	Net 60 days from the end of the month of when invoice is issued	-	-	(17,341)	(17)	Note
Suzhou ASEN Semiconductors Co., Ltd.	NXP Semiconductors Taiwan Ltd.	Subsidiary of the company has significant influence over Suzhou ASEN Semiconductors Co., Ltd. – Subsidiary of NXP B.V	Sales	(1,977,338)	(32)	Net 90 days from the end of the month of when invoice is issued	-	-	649,456	45	Note
USI Electronics (Shenzhen) Co., Ltd.	Universal Global Scientific Industrial Co., Ltd.	Associate	Purchases	CNY 632,717 thousand	18	T/T 75 days	-	-	(CNY 146,677 thousand)	(13)	Note
			Sales	(CNY 2,634,900 thousand)	(56)	T/T 75 days	-	-	CNY 631,306 thousand	58	Note
Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Global Technology Co., Limited	Subsidiary	Purchases	CNY 840,612 thousand	12	T/T 75 days	-	-	(CNY 193,628 thousand)	(14)	Note
	Universal Global Scientific Industrial Co., Ltd.	Subsidiary	Sales	(CNY 62,370 thousand)	(1)	T/T 75 days	-	-	CNY 15,558 thousand	1	Note
	Universal Global Technology (Kunshan) Co., Ltd.	Subsidiary	Sales	(CNY 27,137 thousand)	-	T/T 75 days	-	-	CNY 696 thousand	-	Note
	USI Electronics (Shenzhen) Co., Ltd.	Subsidiary	Sales	(CNY 35,874 thousand)	-	T/T 75 days	-	-	CNY 179 thousand	-	Note
	ASE Electronics Inc.	Associate	Purchases	CNY 52,038 thousand	1	Net 60 days from the end of the month of when invoice is issued	-	-	CNY 13,296 thousand	1	Note
Universal Global Technology Co., Limited	Universal Scientific Industrial (Shanghai) Co., Ltd.	Parent company	Sales	(US\$ 124,439 thousand)	(55)	T/T 75 days	-	-	US\$ 27,920 thousand	48	Note
	Universal Global Technology (Kunshan) Co., Ltd.	Associate	Sales	(US\$ 97,824 thousand)	(43)	T/T 75 days	-	-	US\$ 27,952 thousand	48	Note
	Universal Global Technology (Shanghai) Co., Ltd.	Subsidiary	Sales	(US\$ 4,451 thousand)	(2)	T/T 75 days	-	-	US\$ 2,764 thousand	5	Note
Universal Global Industrial Co., Limited	USI Electronics (Shenzhen) Co., Ltd.	Associate	Purchases	US\$ 397,045 thousand	53	T/T 75 days	-	-	(US\$ 91,006 thousand)	(50)	Note
			Sales	(US\$ 92,675 thousand)	(13)	T/T 75 days	-	-	US\$ 21,040 thousand	12	Note
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Parent company	Purchases	US\$ 9,379 thousand	1	T/T 75 days	-	-	(US\$ 2,240 thousand)	(1)	Note
	Universal Global Scientific Industrial Co., Ltd.	Associate	Sales	(US\$ 488,935 thousand)	(71)	T/T 75 days	-	-	US\$ 117,165 thousand	67	Note
	Universal Global Technology (Kunshan) Co., Ltd.	Associate	Purchases	US\$ 192,312 thousand	25	T/T 75 days	-	-	(US\$ 50,801 thousand)	(28)	Note
			Sales	(US\$ 7,976 thousand)	(1)	T/T 75 days	-	-	US\$ 1,859 thousand	1	Note
Universal Global Scientific Industrial Co., Ltd.	Universal Global Industrial Co., Limited	Associate	Purchases	\$ 15,804,399	90	T/T 75 days	-	-	\$ (3,778,624)	(83)	Note
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Parent company	Sales	(225,600)	(1)	T/T 75 days	-	-	-	-	Note
	USI Electronics (Shenzhen) Co., Ltd.	Associate	Sales	(155,660)	(1)	T/T 75 days	-	-	42,497	1	Note
	Universal Scientific Industrial Co., Ltd.	Subsidiary	Sales	(878,092)	(4)	T/T 75 days	-	-	399,994	7	Note
Universal Global Technology (Kunshan) Co., Ltd.	Universal Global Technology Co., Limited	Associate	Purchases	CNY 664,729 thousand	35	T/T 75 days	-	-	(CNY 193,857 thousand)	(28)	Note
	Universal Global Industrial Co., Limited	Associate	Purchases	CNY 52,758 thousand	3	T/T 75 days	-	-	(CNY 12,895 thousand)	(2)	Note
			Sales	(CNY 1,283,735 thousand)	(56)	T/T 75 days	-	-	CNY 356,210 thousand	53	Note
Universal Global Technology (Shanghai) Co., Ltd.	Universal Global Technology Co., Limited	Associate	Purchases	CNY 31,666 thousand	2	T/T 75 days	-	-	(CNY 19,176 thousand)	(3)	Note
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Parent company	Sales	(CNY 30,518 thousand)	(1)	T/T 75 days	-	-	CNY 203 thousand	-	Note

(Concluded)

Note: Amount was eliminated based on the audited financial statements.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationships	Ending Balance (Note 1)	Turnover Rate (Note 2)	Overdue (Note 1)		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
The Company	Universal Scientific Industrial Co., Ltd.	Subsidiary	\$ 1,702,509 (Note5)	2	\$ 4,422	Continued collection	\$ 1,290,049	\$ -
ASE Electronics Inc.	The Company	The Ultimate Parent of the Company	844,692 (Note5)	5	-	-	386,045	-
Omniquest Industrial Limited	The Company	Parent company	3,001,250 (Notes 3,5)	-	-	-	-	-
ISE Labs, Inc.	J & R Holding Limited	Parent company	1,484,010 (Notes 3,5)	-	-	-	-	-
Anstock Limited	ASE Assembly & Test (Shanghai) Limited	Associate	1,844,653 (Notes 3,5)	-	-	-	-	-
Anstock II Limited	J & R Holding Limited	Parent company	9,638,220 (Notes 3,5)	-	-	-	-	-
A.S.E. Holding Limited	The Company	Parent company	2,902,500 (Notes 3,5)	-	-	-	-	-
ASE Test, Inc.	The Company	Parent company	7,587,311 (Notes 3,4,5)	-	-	-	937,192	-
	Omniquest Industrial Limited	Associate	1,550,000 (Notes 3,5)	-	-	-	-	-
ASE Test Limited	The Company	The Ultimate Parent of the Company	5,901,750 (Notes 3,5)	-	-	-	-	-
	J & R Holding Limited	Parent company	645,083 (Notes 3,5)	-	-	-	-	-
	A.S.E. Holding Limited	Associate	2,264,836 (Notes 3,5)	-	-	-	-	-
	Omniquest Industrial Limited	Associate	1,461,604 (Notes 3,5)	-	-	-	-	-
	ASE Investment (Labuan) Inc.	Associate	487,111 (Notes 3,5)	-	-	-	-	-
ASE (Korea) Inc.	The Company	The Ultimate Parent of the Company	2,418,954 (Notes 3,5)	-	-	-	646,084	-
	ASE WeiHai Inc.	Subsidiary	1,292,075 (Notes 3,5)	-	-	-	-	-
J & R Holding Limited	The Company	Parent company	4,966,500 (Notes 3,5)	-	-	-	548,250	-
	Global Advanced Packaging Technology Limited	Subsidiary	564,014 (Notes 3,5)	-	-	-	-	-
	Anstock Limited	Subsidiary	1,860,478 (Notes 3,5)	-	-	-	-	-
	ASE WeiHai Inc.	Associate	1,520,658 (Notes 3,5)	-	-	-	-	-
	ASE Assembly & Test (Shanghai) Limited	Associate	556,634 (Notes 3,5)	-	-	-	-	-
	ASE Investment (Labuan) Inc.	Subsidiary	1,294,642 (Notes 3,5)	-	-	-	-	-
	ASE Corporation	Associate	3,076,321 (Notes 3,5)	-	-	-	-	-
J&R Industrial Inc.	ASE Labuan Inc.	Associate	648,116 (Notes 3,5)	-	-	-	483,750	-
	The Company	The Ultimate Parent of the Company	190,000 (Notes 3,5)	-	-	-	-	-
ASE Japan Co., Ltd.	ASE Electronics Inc.	Associate	190,000 (Notes 3,5)	-	-	-	-	-
	J & R Holding Limited	Parent company	2,398,477 (Notes 3,5)	-	-	-	-	-
ASE Investment (Labuan) Inc.	The Company	The Ultimate Parent of the Company	1,770,525 (Notes 3,5)	-	-	-	-	-

(Continued)

Company Name	Related Party	Relationships	Ending Balance (Note 1)	Turnover Rate (Note 2)	Overdue (Note 1)		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
ASE Corporation	The Company	The Ultimate Parent of the Company	\$ 3,063,750 (Notes 3,5)	-	\$ -	-	\$ -	\$ -
ASE Labuan Inc.	The Company	The Ultimate Parent of the Company	645,000 (Notes 3,5)	-	-	-	480,525	-
Global Advanced Packaging Technology Limited	The Company	The Ultimate Parent of the Company	2,096,250 (Notes 3,5)	-	-	-	-	-
ASE Electronics (M) SDN. BHD.	J & R Holding Limited	Parent company	225,786 (Notes 3,5)	-	-	-	64,500	-
ASE (Shanghai) Inc.	The Company	The Ultimate Parent of the Company	511,960 (Note 5)	4	269293	Continued collection	242,667	-
	Advanced Semiconductor Engineering (HK) Limited	Subsidiary	382,786 (Note 5)	5	140328	Continued collection	242,458	-
ASE Assembly & Test (Shanghai) Limited	Shanghai Ding Wei Real Estate Development Co., Ltd.	Associate	465494 (Notes 3,5)	-	-	-	-	-
Shanghai Ding Hui Real Estate Development Co., Ltd.	Kun Shan Ding Hong Real Estate Development Co., Ltd.	Subsidiary	355,640 (Notes 3,5)	-	-	-	182,307	-
USI Enterprise Limited	The Company	The Ultimate Parent of the Company	7,578,750 (Notes 3,5)	-	-	-	-	-
	J & R Holding Limited	Associate	1,294,620 (Notes 3,5)	-	-	-	1,294,620	-
	Global Advanced Packaging Technology Limited	Associate	2,096,587 (Notes 3,5)	-	-	-	-	-
	USI Inc.	Parent company	1,935,733 (Notes 3,5)	-	-	-	-	-
Huntington Holdings International Co. Ltd.	The Company	The Ultimate Parent of the Company	1,612,500 (Notes 3,5)	-	-	-	-	-
Real Tech Holdings Limited	The Company	The Ultimate Parent of the Company	1,773,750 (Notes 3,5)	-	-	-	-	-
Suzhou ASEN Semiconductors Co., Ltd.	NXP Semiconductors Taiwan Ltd.	Subsidiary of the company has significant influence over Suzhou ASEN Semiconductors Co., Ltd.	654,435	3	-	-	172,788	-
USI Electronics (Shenzhen) Co., Ltd.	Universal Global Industrial Co., Limited	Associate	CNY 634,027 thousand (Note 5)	4	-	-	CNY 529,720 thousand	-
	Universal Global Technology Co., Limited	Parent company	CNY 208,230 thousand (Notes 3,5)	-	-	-	-	-
	Universal Global Technology (Shanghai) Co., Ltd.	Associate	CNY 315,640 thousand (Notes 3,5)	-	-	-	-	-
Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Global Technology (Shanghai) Co., Ltd.	Subsidiary	CNY 100,196 thousand (Notes 3,5)	3	-	-	-	-
Universal Global Technology Co., Limited	Universal Scientific Industrial (Shanghai) Co., Ltd.	Parent company	US\$ 27,920 thousand (Note 5)	1	-	-	US\$ 4,523 thousand	-
	Universal Global Technology (Kunshan) Co., Ltd.	Associate	US\$ 27,954 thousand (Note 5)	5	-	-	US\$ 7,849 thousand	-
Universal Global Industrial Co., Limited	USI Electronics (Shenzhen) Co., Ltd.	Associate	US\$ 21,160 thousand (Note 5)	4	-	-	US\$ 7,645 thousand	-
	Universal Global Scientific Industrial Co., Ltd.	Associate	US\$ 118,006 thousand (Note 5)	4	-	-	US\$ 47,925 thousand	-

(Continued)

Company Name	Related Party	Relationships	Ending Balance (Note 1)	Turnover Rate (Note 2)	Overdue (Note 1)		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Universal Global Scientific Industrial Co., Ltd.	Universal Scientific Industrial Co., Ltd.	Subsidiary	\$ 400,136 (Note 5)	2	-	-	\$ 128,592	-
Universal Global Technology (Kunshan) Co., Ltd.	Universal Global Industrial Co., Limited Universal Global Technology (Shanghai) Co., Ltd.	Associate	CNY 356,210 thousand (Note 5)	5	-	-	CNY 134,028 thousand	-
		Associate	CNY 50,027 thousand (Notes 3,5)	-	-	-	-	-

(Concluded)

Note 1: Include Accounts receivables and Other receivables.

Note 2: Exclude other receivables.

Note 3: Intercompany Loan, please refer to Table 1.

Note 4: Turnkey transaction.

Note 5: Amount was eliminated based on the audited financial statements.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note	
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value				
The Company	A.S.E. Holding Limited	Bermuda	Investment activities	US\$ 283,966 thousand	US\$ 283,966 thousand	243,966	100	\$ 15,171,321	\$ 379,950	\$ 365,594	Subsidiary	
	J & R Holding Limited	Bermuda	Investment activities	US\$ 479,693 thousand	US\$ 479,693 thousand	435,128	100	47,880,837	3,999,715	3,794,189	Subsidiary	
	ASE Marketing & Service Japan Co., Ltd.	Japan	Engaged in marketing and sales services	JPY 60,000 thousand	JPY 60,000 thousand	1,200	100	30,527	2,432	2,432	Subsidiary	
	Omniquest Industrial Limited	British Virgin Islands	Investment activities	US\$ 250,504 thousand	US\$ 250,504 thousand	250,504,067	71	10,972,509	1,120,450	798,249	Subsidiary	
	Innosource Limited	British Virgin Islands	Investment activities	US\$ 86,000 thousand	US\$ 86,000 thousand	86,000,000	100	4,252,833	236,259	238,289	Subsidiary	
	HCK	Taiwan	Engaged in the leasing of real estate properties	\$ 390,470	\$ 390,470	35,497,273	27	321,120	(41,463)	(11,324)	Associate	
	HC	Taiwan	Engaged in the development, construction and leasing of real estate properties	2,845,913	2,845,913	68,629,782	26	1,162,234	63,921	33,758	Associate	
	Universal Scientific Industrial Co., Ltd.	Taiwan	Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories	-	520,490	-	-	-	(34,564)	55,288	Subsidiary	
	ASE Test, Inc.	Taiwan	Engaged in the testing of semiconductors	20,698,867	20,698,867	1,131,452,502	100	28,968,727	2,946,367	2,928,832	Subsidiary	
	USI Inc.	Taiwan	Investment activities	20,836,477	20,836,477	1,112,236,706	99	43,122,309	2,776,807	2,593,352	Subsidiary	
	Luchu Development Corporation	Taiwan	Engaged in the development of real estate properties	1,366,238	1,366,238	131,961,457	67	1,332,892	(10,222)	(6,860)	Subsidiary	
	ASEEE	Taiwan	Engaged in the production of embedded substrate	765,000	618,097	76,500,000	51	670,550	(177,414)	(90,478)	Associate	
	SPIL	Taiwan	Engaged in assembly, testing and turnkey services of integrated circuits	48,790,498	35,055,000	1,037,300,000	33	45,884,727	9,933,160	1,755,091	Associate	
	Deca Technologies Inc.	Cayman	Holding company and the group engaged in manufacturing, development and marketing of wafer level packaging and interconnect technology	US\$ 59,882 thousand	-	98,489,803	22	1,820,329	(497,868)	(109,880)	Associate	
	AMPI	Taiwan	Engaged in integrated circuit	178,861	178,861	33,308,452	10	36,939	(236,048)	(40,991)	Associate	
	ASE Test, Inc.	Alto Enterprises Limited	British Virgin Islands	Investment activities	US\$ 188,000 thousand	US\$ 188,000 thousand	188,000,000	100	4,262,348	134,821	(Note 2)	Subsidiary
		Super Zone Holdings Limited	Hong Kong	Investment activities	US\$ 100,000 thousand	US\$ 100,000 thousand	100,000,000	100	3,149,846	86,379	(Note 2)	Subsidiary
		Luchu Development Corporation	Taiwan	Engaged in the development of real estate properties	\$ 372,504	\$ 372,504	37,250,448	19	376,173	(10,222)	(Note 2)	Subsidiary
		TLJ Intertech Inc.	Taiwan	Engaged in information software services	89,998	-	2,119,080	60	88,900	(4,978)	(Note 2)	Subsidiary
		AMPI	Taiwan	Engaged in integrated circuit	225,000	-	90,000,000	28	229,146	(236,048)	(Note 2)	Associate
A.S.E. Holding Limited	ASE Test Limited	Singapore	Investment activities	US\$ 84,889 thousand	US\$ 84,889 thousand	11,148,000	10	US\$ 107,472 thousand	US\$ 67,360 thousand	(Note 2)	Subsidiary	
	ASE Investment (Labuan) Inc.	Malaysia	Investment activities	US\$ 168,643 thousand	US\$ 168,643 thousand	168,642,842	70	US\$ 346,087 thousand	US\$ 7,243 thousand	(Note 2)	Subsidiary	
J & R Holding Limited	ASE Test Limited	Singapore	Investment activities	US\$ 964,524 thousand	US\$ 964,524 thousand	98,276,087	90	US\$ 1,069,120 thousand	US\$ 67,360 thousand	(Note 2)	Subsidiary	
	Omniquest Industrial Limited	British Virgin Islands	Investment activities	US\$ 30,200 thousand	US\$ 30,200 thousand	30,200,000	8	US\$ 42,050 thousand	US\$ 34,546 thousand	(Note 2)	Subsidiary	
	J&R Industrial Inc.	Taiwan	Engaged in leasing equipment and investing activity	US\$ 51,344 thousand	US\$ 51,344 thousand	170,000,006	100	US\$ 31,028 thousand	US\$ 92 thousand	(Note 2)	Subsidiary	
	ASE Japan Co., Ltd.	Japan	Engaged in the packaging and testing of semiconductors	US\$ 25,606 thousand	US\$ 25,606 thousand	7,200	100	US\$ 75,082 thousand	US\$ 2,735 thousand	(Note 2)	Subsidiary	
	ASE (U.S.) Inc.	U.S.A	After-sales service and sales support	US\$ 4,600 thousand	US\$ 4,600 thousand	1,000	100	US\$ 12,850 thousand	US\$ 830 thousand	(Note 2)	Subsidiary	
	Global Advanced Packaging Technology Limited, Cayman Islands	British Cayman Islands	Investment activities	US\$ 190,000 thousand	US\$ 190,000 thousand	190,000,000	100	US\$ 354,732 thousand	US\$ 49,510 thousand	(Note 2)	Subsidiary	
	Anstock Limited	British Cayman Islands	Investment activities	US\$ 10 thousand	US\$ 10 thousand	10,000	100	US\$ 368 thousand	(US\$ 209 thousand)	(Note 2)	Subsidiary	
	Anstock II Limited	British Cayman Islands	Investment activities	US\$ 10 thousand	US\$ 10 thousand	10,000	100	US\$ 198 thousand	US\$ 164 thousand	(Note 2)	Subsidiary	
ASE Investment (Labuan) Inc.	ASE (Korea) Inc.	Korea	Engaged in the packaging and testing of semiconductors	US\$ 160,000 thousand	US\$ 160,000 thousand	20,741,363	100	US\$ 494,454 thousand	US\$ 7,042 thousand	(Note 2)	Subsidiary	
ASE Test Limited	ASE Holdings (Singapore) Pte Ltd	Singapore	Investment activities	US\$ 65,520 thousand	US\$ 65,520 thousand	71,428,902	100	US\$ 142,671 thousand	US\$ 20,396 thousand	(Note 2)	Subsidiary	
	ASE Test Holdings, Ltd.	British Cayman Islands	Investment activities	US\$ 222,399 thousand	US\$ 222,399 thousand	5	100	US\$ 100,904 thousand	US\$ 1,289 thousand	(Note 2)	Subsidiary	
	ASE Investment (Labuan) Inc.	Malaysia	Investment activities	US\$ 72,304 thousand	US\$ 72,304 thousand	72,304,040	30	US\$ 148,323 thousand	US\$ 7,243 thousand	(Note 2)	Subsidiary	
	ASE Singapore Pte. Ltd.	Singapore	Engaged in the packaging and testing of semiconductors	US\$ 55,815 thousand	US\$ 55,815 thousand	30,100,000	100	US\$ 153,333 thousand	US\$ 37,752 thousand	(Note 2)	Subsidiary	
ASE Test Holdings, Ltd.	ISE Labs, Inc.	U.S.A	Engaged in the testing of semiconductors	US\$ 221,145 thousand	US\$ 221,145 thousand	26,250,000	100	US\$ 100,903 thousand	US\$ 1,289 thousand	(Note 2)	Subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
ASE Holdings (Singapore) Pte Ltd	ASE Electronics (M) Sdn. Bhd.	Malaysia	Engaged in the packaging and testing of semiconductors	US\$ 60,000 thousand	US\$ 60,000 thousand	159,715,000	100	US\$ 142,671 thousand	US\$ 20,369 thousand	(Note 2)	Subsidiary
Omniquest Industrial Limited	ASE Corporation	British Cayman Islands	Investment activities	US\$ 352,784 thousand	US\$ 352,784 thousand	352,784,067	100	US\$ 494,322 thousand	US\$ 34,635 thousand	(Note 2)	Subsidiary
ASE Corporation	ASE Mauritius Inc.	Mauritius	Investment activities	US\$ 217,800 thousand	US\$ 217,800 thousand	217,800,000	100	US\$ 366,601 thousand	US\$ 26,005 thousand	(Note 2)	Subsidiary
ASE Labuan Inc.	ASE Labuan Inc.	Malaysia	Investment activities	US\$ 126,184 thousand	US\$ 126,184 thousand	126,184,067	100	US\$ 127,670 thousand	US\$ 8,688 thousand	(Note 2)	Subsidiary
ASE Labuan Inc.	ASE Electronics Inc.	Taiwan	Engaged in the production of substrates	US\$ 125,813 thousand	US\$ 125,813 thousand	398,981,900	100	US\$ 127,103 thousand	US\$ 8,697 thousand	(Note 2)	Subsidiary
Innosource Limited	Omniquest Industrial Limited	British Virgin Islands	Investment activities	US\$ 74,000 thousand	US\$ 74,000 thousand	74,000,000	21	US\$ 103,074 thousand	US\$ 34,546 thousand	(Note 2)	Subsidiary
ASE (Shanghai) Inc.	Advanced Semiconductor Engineering (HK) Limited	Hong Kong	Engaged in the trading of substrates	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 9,145 thousand	US\$ 8 thousand	(Note 2)	Subsidiary
USI Inc.	Huntington Holdings International Co. Ltd.	British Virgin Islands	Holding company	\$ 8,370,606	\$ 8,370,606	255,856,840	100	\$ 44,037,750	\$ 2,872,792	(Note 2)	Subsidiary
Huntington Holdings International Co. Ltd.	Unitech Holdings International Co. Ltd.	British Virgin Islands	Holding company	US\$ 3,000 thousand	US\$ 3,000 thousand	3,000,000	100	US\$ 7,487 thousand	(US\$ 16 thousand)	(Note 2)	Subsidiary
	Real Tech Holdings Limited	British Virgin Islands	Holding company	US\$ 149,151 thousand	US\$ 149,151 thousand	149,151,000	100	US\$ 1,297,865 thousand	US\$ 93,782 thousand	(Note 2)	Subsidiary
	Universal ABIT Holding Co., Ltd.	British Cayman Islands	Holding company	US\$ 28,125 thousand	US\$ 28,125 thousand	90,000,000	100	US\$ 13 thousand	US\$ - thousand	(Note 2)	Subsidiary
	Rising Capital Investment Limited	British Virgin Islands	Holding company	US\$ 6,000 thousand	US\$ 6,000 thousand	6,000,000	100	US\$ 1,140 thousand	US\$ 4 thousand	(Note 2)	Subsidiary
	Rise Accord Limited	British Virgin Islands	Holding company	US\$ 2,000 thousand	US\$ 2,000 thousand	20,000	100	US\$ 63 thousand	(US\$ 87 thousand)	(Note 2)	Subsidiary
Real Tech Holdings Limited	USI Enterprise Limited	Hong Kong	Engaged in the services of investment advisory and warehousing management	US\$ 210,900 thousand	US\$ 210,900 thousand	210,900,000	98	US\$ 1,225,980 thousand	US\$ 94,764 thousand	(Note 2)	Subsidiary
Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Global Technology Co., Limited	Hong Kong	Holding company	CNY 662,390 thousand	CNY 324,185 thousand	777,716,500	100	CNY 2,200,741 thousand	CNY 325,744 thousand	(Note 2)	Subsidiary
Universal Global Technology Co., Limited	Universal Global Industrial Co., Limited	Hong Kong	Engaged in manufacturing, trading and investing activity	US\$ 11,000 thousand	US\$ 11,000 thousand	85,800,000	100	US\$ 20,164 thousand	US\$ 1,531 thousand	(Note 2)	Subsidiary
	Universal Global Scientific Industrial Co., Ltd.	Taiwan	Engaged in the manufacturing of components of telecom and cars and provision of related R&D services	US\$ 62,235 thousand	US\$ 30,400 thousand	198,000,000	100	US\$ 137,978 thousand	US\$ 13,833 thousand	(Note 2)	Subsidiary
	USI Japan Co., Ltd	Japan	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories	US\$ 885 thousand	US\$ 885 thousand	6,400	100	US\$ 803 thousand	US\$ 27 thousand	(Note 2)	Subsidiary
	Universal Scientific Industrial De Mexico S.A. De C.V.	Mexico	Engaged in the assembling of motherboards and computer components	US\$ 23,963 thousand	US\$ 23,963 thousand	281,085,325	100	US\$ 44,532 thousand	US\$ 2,801 thousand	(Note 2)	Subsidiary
	USI America Inc.	U.S.A	Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service	US\$ 9,500 thousand	US\$ 9,500 thousand	250,000	100	US\$ 6,274 thousand	US\$ 909 thousand	(Note 2)	Subsidiary
Universal Global Industrial Co., Limited	Universal Scientific Industrial De Mexico S.A. De C.V.	Mexico	Engaged in the assembling of motherboards and computer components	US\$ - thousand	US\$ - thousand	1	-	US\$ - thousand	US\$ 2,801 thousand	(Note 2)	Subsidiary
Universal Global Scientific Industrial Co., Ltd.	Universal Scientific Industrial Co., Ltd.	Taiwan	Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories	\$ 792,064	\$ -	39,603,222	99	\$ 1,000,490	\$ 329,003	(Note 2)	Subsidiary

(Concluded)

Note 1: The share of profits/losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: The share of profits/losses of investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Business Activities	Paid-in Capital	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016
					Remitted to Mainland China	Remitted back to Taiwan						
ASE (Shanghai) Inc.	Engaged in the production of substrates	\$ 4,349,312 (US\$ 148,496 thousand) (Note 12)	Note 1 (1)	\$ 4,398,576 (US\$ 137,800 thousand)	\$ -	\$ -	\$ 4,398,576 (US\$ 137,800 thousand)	\$ 800,407 (US\$ 24,619 thousand) (Note 5)	100	\$ 800,407 (US\$ 24,619 thousand) (Note 5)	\$ 10,881,393 (US\$ 337,408 thousand)	None
ASE (Kun Shan) Inc.	Engaged in the packaging and testing of semiconductors	8,350,204 (US\$ 268,000 thousand)	Note 1 (2)	8,350,204 (US\$ 268,000 thousand) (Note 10)	-	-	8,350,204 (US\$ 268,000 thousand)	192,308 (US\$ 6,028 thousand) (Note 4)	100	192,308 (US\$ 6,028 thousand) (Note 4)	6,078,455 (US\$ 188,479 thousand)	None
ASE Module (Shanghai) Inc.	Engage in the production and sale of electronic components and printed circuit boards	- (US\$ - thousand) (Note 12)	Note 2	383,640 (US\$ 12,000 thousand)	-	-	383,640 (US\$ 12,000 thousand)	(7,761) (US\$ -247 thousand) (Note 5)	100	(7,761) (US\$ -247 thousand) (Note 5)	36,206 (US\$ 1,123 thousand)	None
ASE Assembly & Test (Shanghai) Limited	Engaged in the packaging and testing of semiconductors	6,501,336 (US\$ 203,580 thousand)	Note 1 (3)	5,792,530 (US\$ 180,000 thousand)	-	-	5,792,530 (US\$ 180,000 thousand)	1,607,317 (US\$ 49,737 thousand) (Note 4)	100	1,607,317 (US\$ 49,737 thousand) (Note 4)	11,555,401 (US\$ 358,307 thousand)	None
Suzhou ASEN Semiconductors Co., Ltd.	Engaged in the packaging and testing of semiconductors	1,568,467 (US\$ 48,672 thousand)	Note 1 (4)	711,180 (US\$ 21,600 thousand)	-	-	711,180 (US\$ 21,600 thousand)	799,903 (US\$ 24,982 thousand) (Note 5)	60	479,942 (US\$ 14,989 thousand) (Note 5)	2,701,718 (US\$ 83,774 thousand)	None
ASE WeiHai Inc.	Engaged in the packaging and testing of semiconductors	4,507,081 (US\$ 152,200 thousand)	Note 1 (5)	1,295,307 (US\$ 40,000 thousand)	-	-	1,295,307 (US\$ 40,000 thousand)	(37,897) (US\$ -1,111 thousand) (Note 5)	100	(37,897) (US\$ -1,111 thousand) (Note 5)	1,553,737 (US\$ 48,178 thousand)	None
Shanghai Ding Hui Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	16,345,070 (CNY 3,600,000 thousand)	Note 2	- (Note 2)	-	-	- (註2)	1,080,928 (CNY 219,059 thousand) (Note 5)	100	996,445 (CNY 202,315 thousand) (Note 5)	19,213,957 (CNY 4,123,937 thousand)	None
Shanghai Ding Wei Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	6,908,089 (CNY 1,548,000 thousand)	Note 2	- (Note 2)	-	-	- (註2)	(34,119) (CNY -7,050 thousand) (Note 5)	100	(34,119) (CNY -7,050 thousand) (Note 5)	7,094,585 (CNY 1,526,051 thousand)	None
Shanghai Ding Yu Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	4,936,538 (CNY 1,100,000 thousand)	Note 2	- (Note 2)	-	-	- (註2)	(14,746) (CNY -2,952 thousand) (Note 5)	100	(14,746) (CNY -2,952 thousand) (Note 5)	5,107,770 (CNY 1,098,685 thousand)	None
Kun Shan Ding Hong Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	3,139,662 (CNY 670,000 thousand)	Note 2	- (Note 2)	-	-	- (註2)	92,806 (CNY 20,237 thousand) (Note 5)	100	92,806 (CNY 20,237 thousand) (Note 5)	3,203,426 (CNY 689,059 thousand)	None
Kun Shan Ding Yue Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	1,546,415 (CNY 330,000 thousand)	Note 2	- (Note 2)	-	-	- (註2)	(107) (CNY -21 thousand) (Note 5)	100	(107) (CNY -21 thousand) (Note 5)	1,532,824 (CNY 329,712 thousand)	None
Advanced Semiconductor Engineering (China) Ltd.	Engage in the packaging and testing of semiconductors	3,149,000 (US\$ 100,000 thousand)	Note 1 (6)	3,149,000 (US\$ 100,000 thousand)	-	-	3,149,000 (US\$ 100,000 thousand)	86,378 (US\$ 2,717 thousand) (Note 4)	100	86,378 (US\$ 2,717 thousand) (Note 4)	3,149,723 (US\$ 97,666 thousand)	None
ASE Investment (Kun Shan) Limited	Holding company	3,717,318 (US\$ 122,000 thousand)	Note 1 (7)	3,717,318 (US\$ 122,000 thousand) (Note 10)	-	-	3,717,318 (US\$ 122,000 thousand)	87,455 (US\$ 2,741 thousand) (Note 4)	100	87,455 (US\$ 2,741 thousand) (Note 4)	2,765,225 (US\$ 85,743 thousand)	None

(Continued)

Investee Company	Main Business Activities	Paid-in Capital	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016
					Remitted to Mainland China	Remitted back to Taiwan						
Wuxi Tongzhi Microelectronics Co., Ltd.	Engage in the packaging and testing of semiconductors	\$ 356,682 (CNY 73,461 thousand)	(Note 2)	\$ - (Note 2)	\$ -	\$ -	\$ - (Note 2)	\$ 21,647 (CNY 4,442 thousand) (Note 4)	100	\$ 21,647 (CNY 4,442 thousand) (Note 4)	\$ 439,081 (CNY 94,447 thousand)	None
ASE Trading (Shanghai) Ltd.	Engaged in trading activity	2,566 (CNY 500 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	(57) (CNY -12 thousand) (Note 4)	100	(57) (CNY -12 thousand) (Note 4)	2,041 (CNY 439 thousand)	None
Shanghai Ding Qi Property Management Co., Ltd.	Engaged in the management of real estate properties	5,078 (CNY 1,000 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	(9,111) (CNY -1,897 thousand) (Note 5)	100	(9,111) (CNY -1,897 thousand) (Note 5)	(7,324) (CNY -1,575 thousand)	None
Shanghai Ding Fan Department Store Co., Ltd.	Engaged in selling General merchandise	7,199 (CNY 1,500 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	(22) (CNY -5 thousand) (Note 5)	100	(22) (CNY -5 thousand) (Note 5)	6,952 (CNY -1,495 thousand)	None
USI Electronics (Shenzhen) Co., Ltd	Engaged in the processing and sales of computer and communication peripherals as well as business in import and export of goods and technology	2,270,625 (US\$ 75,000 thousand)	Note 1 (8)	1,180,746	-	-	1,180,746	2,348,392 (CNY 483,666 thousand) (Note 6)	76	1,809,287 (US\$ 56,155 thousand) (Note 6)	7,550,536 (US\$ 234,125 thousand)	\$ 1,196,256 (US\$ 41,243 thousand)
Universal Scientific Industrial (Shanghai) Co., Ltd.	Engaged in the designing, manufacturing and sale of electronic components	10,649,110 (CNY 2,175,924 thousand)	Note 1 (8)	1,668,233	-	-	1,668,233	3,898,364 (US\$ 120,996 thousand) (Note 6)	76	2,959,139 (US\$ 91,843 thousand) (Note 6)	26,670,665 (US\$ 826,997 thousand)	\$ 349,290 (US\$ 10,955 thousand)
Universal Scientific Industrial (Kunshan) Co., Ltd.	Engaged in the manufacturing and sale of computer assistance system and related peripherals	383,201 (US\$ 12,000 thousand)	Note 1 (8)	383,201	-	-	383,201	13,829 (US\$ 429 thousand) (Note 6)	99	13,714 (US\$ 426 thousand) (Note 6)	331,527 (US\$ 10,280 thousand)	None
e-Cloud Corporation	Engaged in the sale of electronic components and telecommunications equipment	147,450 (US\$ 5,000 thousand)	Note 1 (9)	147,450	-	-	147,450	-	-	-	- (Note 11)	None
Siargo(SH), Ltd.	Engaged in manufacturing and sale of MEMS mass flow sensors	227,063 (US\$ 7,500 thousand)	(Note 3)	3,035	-	-	3,035	-	-	-	-	None
Universal Global Technology (Kunshan) Co., Ltd.	Engaged in the designing and manufacturing of electronic components	1,202,223 (CNY 250,000 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	740,833 (CNY 152,579 thousand) (Note 6)	76	574,756 (CNY 118,452 thousand) (Note 6)	2,170,542 (CNY 466,885 thousand)	None
Universal Global Technology (Shanghai) Co., Ltd.	Engaged in the processing and sales of computer and communication peripherals as well as business in import and export of goods and technology	6,652,140 (CNY 1,330,000 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	(589,959) (CNY -121,506 thousand) (Note 6)	76	(453,668) (CNY -93,497 thousand) (Note 6)	2,152,382 (CNY 462,979 thousand)	None
Universal Global Electronics (Shanghai) Co., Ltd.	Engaged in the sale of electronic components and telecommunications equipment	240,850 (CNY 50,000 thousand)	(Note 2)	- (Note 2)	-	-	- (Note 2)	6,095 (CNY 1,255 thousand) (Note 6)	76	4,687 (CNY 966 thousand) (Note 6)	190,241 (CNY 40,921 thousand)	None

(Continued)

Investee Company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The company	\$ 15,203,097 (US\$ 471,400 thousand)	\$ 16,790,306 (US\$ 576,400 thousand)(Note 9)	\$ - (Note 7)
ASE Test, Inc.	8,878,838 (US\$ 288,000 thousand)	8,878,838 (US\$ 288,000 thousand)	17,659,472 (Note 8)
USI Inc.	3,382,665	32,402,340 (US\$1,027,236 thousand)	- (Note 7)

Note 1: Investments through a holding company registered in a third region. The holding companies are as follow:

- (1) ASE Mauritius Inc., ASE Corporation, Omniquest Industrial Limited, Innosource Limited and J&R Holding Limited.
- (2) ASE Mauritius Inc., Alto Enterprises Limited, Innosource Limited, ASE Corporation, Omniquest Industrial Limited and J&R Holding Limited.
- (3) Innosource Limited.
- (4) Global Advanced Packaging Technology Ltd. and J&R Holding Limited.
- (5) J&R Holding Limited.
- (6) ASE (Korea) Inc., ASE Test Limited, ASE Investment (Labuan) Inc., ASE Holding Ltd. and J&R Holding Limited.
- (7) Super Zone Holdings Limited.
- (8) Alto Enterprises Limited.
- (9) Real Tech Holdings Limited and Huntington Holdings International Co. Ltd..
- (10) Rise Capital Investment Limited and Huntington Holdings International Co. Ltd..

Note 2: Invested by companies in Mainland China.

Note 3: The company was invested by Asia Global Venture Co. Ltd which is invested by UHI as available-for-sale. Asia Global Venture Co. Ltd disposed all of the company's shares in October, 2013, therefore as of December 31, 2016 UHI does not invest to any company in Mainland China.

Note 4: The basis for investment income (loss) recognition is from the financial statements audited and attested by R.O.C. parent company's CPA

Note 5: The basis for investment income (loss) recognition is from the financial statements audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 6: The basis for investment income (loss) recognition is from the financial statements audited and attested by other CPA in the same accounting firm wirh R.O.C. parent company's CPA.

Note 7: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, R.O.C amended 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company. (Approved on August 13th, 2015.)

Note 8: The upper limit on investment of ASET, Inc. is calculated as follow: $\$29,432,453 * 60\% = 17,659,472$

Note 9: USD \$80,000 thousand was directly remitted by the subsidiary, ASE (Korea), and USD \$25,000 thousand was by means of Debt for Equity Swap. Therefore, there is USD\$85,000 thousand difference between MOEA approved investment amount and accumulated outflow of investment from Taiwan.

Note 10: It was the same fund that ASET, Inc. indirectly invested to ASE Investment (KS) through another company in 3rd area and then invested to ASEKS.

Note 11: e-Cloud Corporation was liquidated in December 2013.

Note 12: ASE Module is absorbed by ASE MTLSH. During the liquidation period, ASE MTLSH will hold ASE Module till the process is completed.

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Related Party	Nature of Relationships	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets	
				Financial Statement Account	Amount (Note)	Terms		
0	The Company	ASE Test, Inc.	Parent company to subsidiary	Other payables	\$ 7,587,225	The transaction has the same terms with other companies The transaction has the same terms with other companies The transaction has the same terms with other companies It is calculated by fixed ratio based on actual expenses. There is an upper limit to the expenses. The transaction has the same terms with other companies The transaction has the same terms with other companies The transaction has the same terms with other companies	2	
			Parent company to subsidiary	Disposal of property, plant and equipment	269,844		-	
			Parent company to subsidiary	Purchase of property, plant and equipment	1,252,950		-	
			Parent company to subsidiary	Operating costs	126,024		-	
			Universal Scientific Industrial Co., Ltd.	Parent company to subsidiary	Other receivables		1,702,509	-
			Parent company to subsidiary	Operating revenues	4,475,225		2	
			ASE (Shanghai) Inc.	Parent company to subsidiary	Trade payables		510,991	-
			Parent company to subsidiary	Operating costs	2,114,192		1	
			ASE (U.S.) Inc.	Parent company to subsidiary	Operating expenses		831,311	-
			ASE Japan Co., Ltd.	Parent company to subsidiary	Operating revenues		107,254	-
			ASE Electronics Inc.	Parent company to subsidiary	Trade payables		514,799	-
			Parent company to subsidiary	Other receivables	315,727		-	
			Parent company to subsidiary	Operating costs	2,480,624		1	
			ISE Labs, Inc.	Parent company to subsidiary	Operating revenues		167,245	-
			J & R Holding Limited	Parent company to subsidiary	Other payables		4,966,500	1
			Omniquest Industrial Limited	Parent company to subsidiary	Other payables		3,001,250	1
			ASE Labuan Inc.	Parent company to subsidiary	Other payables		645,000	-
			ASE Test Limited	Parent company to subsidiary	Other payables		5,901,750	2
			Global Advanced Packaging Technology Limited	Parent company to subsidiary	Other payables		2,096,250	1
			ASE Investment (Labuan) Inc.	Parent company to subsidiary	Other payables		1,770,525	-
			J&R Industrial Inc.	Parent company to subsidiary	Other payables		190,000	-
			ASE (Korea) Inc.	Parent company to subsidiary	Other payables		2,418,954	1
			Huntington Holdings International Co., Ltd.	Parent company to subsidiary	Other payables		1,612,500	-
			USI Enterprise Limited	Parent company to subsidiary	Other payables		7,578,750	2
			Real Tech Holdings Limited	Parent company to subsidiary	Other payables		1,773,750	-
			ASE Corporation	Parent company to subsidiary	Other payables		3,063,750	1
			A.S.E. Holding Limited	Parent company to subsidiary	Other payables		2,902,500	1
1	ASE Test, Inc.	The Company	Subsidiary to parent company	Rental expense	173,865	-		
		Omniquest Industrial Limited	Subsidiary to subsidiary	Other receivables	1,550,000	-		
2	ASE (U.S.) Inc.	ASE (Korea) Inc.	Subsidiary to subsidiary	Operating revenues	151,239	-		
3	ASE (Shanghai) Inc.	ASE Assembly & Test (Shanghai) Limited	Subsidiary to subsidiary	Operating revenues	182,467	-		
		Advanced Semiconductor Engineering (HK) Limited	Subsidiary to subsidiary	Trade receivables	382,786	-		
4	Shanghai Ding Hui Real Estate Development Co., Ltd.	Kun Shan Ding Hong Real Estate Development Co., Ltd.	Subsidiary to subsidiary	Operating revenues	1,556,836	1		
				Other receivables	355,640	-		

(Continued)

No.	Company Name	Related Party	Nature of Relationships	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount (Note)	Terms	
5	ASE Investment (Labuan) Inc.	ASE Test Limited	Subsidiary to subsidiary	Other liabilities	\$ 487,111		-
6	A.S.E. Holding Limited	ASE Test Limited	Subsidiary to subsidiary	Other payables	2,264,836		1
7	Omniquest Industrial Limited	ASE Test Limited	Subsidiary to subsidiary	Other liabilities	1,461,604		-
8	J & R Holding Limited	Global Advanced Packaging Technology Limited	Subsidiary to subsidiary	Other assets	564,014		-
		ASE Labuan Inc.	Subsidiary to subsidiary	Other receivables	648,116		-
		Anstock Limited	Subsidiary to subsidiary	Other assets	1,274,994		-
			Subsidiary to subsidiary	Other receivables	585,484		-
		ASE Test Limited	Subsidiary to subsidiary	Other liabilities	645,083		-
		ISE Labs, Inc.	Subsidiary to subsidiary	Other liabilities	1,484,010		-
		Anstock II Limited	Subsidiary to subsidiary	Other payables	9,638,220		3
		ASE Japan Co., Ltd.	Subsidiary to subsidiary	Other payables	2,398,477		1
		ASE Electronics (M) Sdn. Bhd.	Subsidiary to subsidiary	Other payables	225,786		-
		ASE Assembly & Test (Shanghai) Limited	Subsidiary to subsidiary	Other receivables	556,634		-
		ASE WeiHai Inc.	Subsidiary to subsidiary	Other receivables	1,520,658		-
		USI Enterprise Limited	Subsidiary to subsidiary	Other payables	1,294,620		-
		ASE Investment (Labuan) Inc.	Subsidiary to subsidiary	Other assets	1,294,642		-
		ASE Corporation	Subsidiary to subsidiary	Other assets	3,076,321		1
9	Anstock II Limited	J&R Holding Limited	Subsidiary to subsidiary	Interest income	238,330		-
10	Global Advanced Packaging Technology Limited	USI Enterprise Limited	Subsidiary to subsidiary	Other payables	2,096,587		1
11	ASE WeiHai Inc.	ASE (Korea) Inc.	Subsidiary to subsidiary	Other payables	1,292,075		-
12	ASE Electronics Inc.	J&R Industrial Inc.	Subsidiary to subsidiary	Other payables	190,000		-
		Universal Scientific Industrial (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	230,243	The transaction has the same terms with other companies	-
		ASE Electronics (M) Sdn. Bhd.	Subsidiary to subsidiary	Operating revenues	466,944	The transaction has the same terms with other companies	-
13	ASE Assembly & Test (Shanghai) Limited	Anstock Limited	Subsidiary to subsidiary	Other payables	673,109		-
			Subsidiary to subsidiary	Other liabilities	1,171,544		-
			Subsidiary to subsidiary	Interest expense	120,408		-
		Shanghai Ding Wei Real Estate Development Co., Ltd.	Subsidiary to subsidiary	Other receivables	465,494		-
		Advanced Semiconductor Engineering (HK) Limited	Subsidiary to subsidiary	Operating costs	211,167		-
		ASE Electronics Inc.	Subsidiary to subsidiary	Operating costs	163,924		-
14	USI Inc.	USI Enterprise Limited	Subsidiary to subsidiary		1,935,000		1
15	Universal Scientific Industrial (Shanghai) Co., Ltd.	Universal Global Technology Co., Limited	Subsidiary to subsidiary	Operating costs	4,018,281		1
			Subsidiary to subsidiary	Trade payables	900,174		-
		Universal Global Technology (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Other receivables	465,759		-

(Continued)

No.	Company Name	Related Party	Nature of Relationships	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Financial Statement Account	Amount (Note)	Terms	
16	Universal Global Industrial Co., Limited	Universal Global Industrial Co., Limited	Subsidiary to subsidiary	Operating revenues	300,703		-
		Universal Global Technology (Kunshan) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	131,778		-
		USI Electronics (Shenzhen) Co., Ltd	Subsidiary to subsidiary	Operating revenues	174,334		-
		USI Electronics (Shenzhen) Co., Ltd	Subsidiary to subsidiary	Operating revenues	2,983,935		1
			Subsidiary to subsidiary	Operating costs	12,765,779		5
			Subsidiary to subsidiary	Trade receivables	678,554		-
			Subsidiary to subsidiary	Trade payables	2,934,929		1
		Universal Global Scientific Industrial Co., Ltd.	Subsidiary to subsidiary	Operating revenues	15,728,562		6
			Subsidiary to subsidiary	Trade receivables	3,778,579		1
		Universal Global Technology (Kunshan) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	256,737		-
	Subsidiary to subsidiary	Operating costs	6,189,786		2		
	Subsidiary to subsidiary	Trade payables	1,638,320		-		
17	Universal Global Technology Co., Limited	Universal Global Technology (Kunshan) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	3,154,743		1
			Subsidiary to subsidiary	Trade receivables	901,453		-
		Universal Scientific Industrial (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	140,832		-
		USI Electronics (Shenzhen) Co., Ltd	Subsidiary to subsidiary	Other payables	967,500		-
	USI America Inc.	Subsidiary to subsidiary	Operating expenses	117,905		-	
18	Universal Global Scientific Industrial Co., Ltd.	USI Electronics (Shenzhen) Co., Ltd	Subsidiary to subsidiary	Operating revenues	155,660		-
		Universal Scientific Industrial (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	225,600		-
		Universal Scientific Industrial Co., Ltd.	Subsidiary to subsidiary	Operating revenues	878,092		-
			Subsidiary to subsidiary	Trade receivables	399,994		-
19	USI Electronics (Shenzhen) Co., Ltd	Universal Global Technology (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Other receivables	1,467,405		-
20	Universal Global Technology (Kunshan) Co., Ltd.	Universal Global Technology (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Other receivables	232,573		-
21	Universal Global Technology (Shanghai) Co., Ltd.	Universal Scientific Industrial (Shanghai) Co., Ltd.	Subsidiary to subsidiary	Operating revenues	145,707		-

Note: Amount was eliminated based on the audited financial statements.

(Concluded)