# Advanced Semiconductor Engineering, Inc. and Subsidiaries

## Consolidated Financial Statements as of December 31, 2015 and 2016 and for the Years Ended December 31, 2014, 2015 and 2016 and Reports of Independent Registered Public Accounting Firms

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of
Advanced Semiconductor Engineering, Inc.

We have audited the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. (a corporation incorporated under the laws of the Republic of China) and its subsidiaries (collectively, the "Group") as of December 31, 2015 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016, all expressed in New Taiwan dollars. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Siliconware Precision Industries Co., Ltd. ("SPIL"), the Group's investment in which is accounted for by use of the equity method, as of and for the year ended December 31, 2016. The accompanying consolidated financial statements of the Group included its equity investment in SPIL of NT$45,898,225 thousand (US$1,416,612 thousand) constituting 13% of the Group's total assets as of December 31, 2016, and its share of profit in SPIL of NT$1,725,053 thousand (US$53,242 thousand) constituting 8% of the Group's net profit for the year ended December 31, 2016. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SPIL, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Our audits also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 4 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of the readers.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 18, 2017 expressed an unqualified opinion on the Group's internal control over financial reporting based on our audit.

/s/Deloitte & Touche
Taipei, Taiwan
Republic of China

April 18, 2017

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of
Siliconware Precision Industries Co., Ltd.

In our opinion, the consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in equity and of cash flows (not presented herein) present fairly, in all material respects, the financial position of Siliconware Precision Industries Co., Ltd., and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers, Taiwan
Taipei, Taiwan
March 23, 2017

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
**(Amounts in Thousands)**

| ASSETS | December 31, 2015 (Adjusted) NT$ | December 31, 2016 NT$ | December 31, 2016 US$ (Note 4) |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 55,251,181 | $ 38,392,524 | $ 1,184,954 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 3,833,701 | 3,069,812 | 94,747 |
| Available-for-sale financial assets - current (Notes 4 and 8) | 30,344 | 266,696 | 8,231 |
| Trade receivables, net (Notes 4 and 9) | 44,931,487 | 51,145,557 | 1,578,567 |
| Other receivables (Note 4) | 429,541 | 665,480 | 20,540 |
| Current tax assets (Notes 4 and 24) | 168,717 | 471,752 | 14,560 |
| Inventories (Notes 4 and 10) | 23,258,279 | 21,438,062 | 661,669 |
| Inventories related to real estate business (Notes 4, 11, 23 and 34) | 25,713,538 | 24,187,515 | 746,528 |
| Other financial assets - current (Notes 4,12 and 34) | 301,999 | 558,686 | 17,243 |
| Other current assets | 2,814,053 | 2,593,575 | 80,049 |
| Total current assets | 156,732,840 | 142,789,659 | 4,407,088 |
| NON-CURRENT ASSETS | | | |
| Available-for-sale financial assets - non-current (Notes 4 and 8) | 924,362 | 1,028,338 | 31,739 |
| Investments accounted for using the equity method (Notes 4, 5 and 13) | 37,122,244 | 49,832,993 | 1,538,055 |
| Property, plant and equipment (Notes 4, 14, 23, and 35) | 149,997,075 | 143,880,241 | 4,440,748 |
| Goodwill (Notes 4, 5 and 15) | 10,506,519 | 10,558,878 | 325,891 |
| Other intangible assets (Notes 4, 16 and 23) | 1,382,093 | 1,560,989 | 48,179 |
| Deferred tax assets (Notes 4 and 24) | 5,156,515 | 4,536,924 | 140,029 |
| Other financial assets - non-current (Notes 4, 12 and 34) | 345,672 | 1,320,381 | 40,753 |
| Long-term prepayments for lease (Note 17) | 2,556,156 | 2,237,033 | 69,044 |
| Other non-current assets | 263,416 | 205,740 | 6,350 |
| Total non-current assets | 208,254,052 | 215,161,517 | 6,640,788 |
| TOTAL | $ 364,986,892 | $ 357,951,176 | $ 11,047,876 |

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# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(Amounts in Thousands)**

| LIABILITIES AND EQUITY | December 31, 2015 (Adjusted) NT$ | December 31, 2016 NT$ | December 31, 2016 US$ (Note 4) |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Short-term borrowings (Note 18) | $ 32,635,321 | $ 20,955,522 | $ 646,775 |
| Short-term bills payable (Note 18) | 4,348,054 | - | - |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 3,005,726 | 1,763,660 | 54,434 |
| Trade payables | 34,138,564 | 35,803,984 | 1,105,061 |
| Other payables (Note 20) | 19,194,818 | 21,522,034 | 664,260 |
| Current tax liabilities (Notes 4 and 24) | 6,746,022 | 6,846,350 | 211,307 |
| Advance real estate receipts (Note 4) | 2,703,706 | 60,550 | 1,869 |
| Current portion of bonds payable (Notes 4 and 19) | 14,685,866 | 9,658,346 | 298,097 |
| Current portion of long-term borrowings (Notes 18 and 34) | 2,057,465 | 6,567,565 | 202,703 |
| Other current liabilities | 3,180,767 | 3,791,563 | 117,024 |
| Total current liabilities | 122,696,309 | 106,969,574 | 3,301,530 |
| NON-CURRENT LIABILITIES | | | |
| Bonds payable (Notes 4 and 19) | 23,740,384 | 27,341,557 | 843,875 |
| Long-term borrowings (Notes 18 and 34) | 42,493,668 | 46,547,998 | 1,436,667 |
| Deferred tax liabilities (Notes 4 and 24) | 4,987,549 | 4,856,549 | 149,893 |
| Net defined benefit liabilities (Notes 4 and 21) | 4,072,493 | 4,172,253 | 128,773 |
| Other non-current liabilities | 1,071,509 | 1,201,480 | 37,083 |
| Total non-current liabilities | 76,365,603 | 84,119,837 | 2,596,291 |
| Total liabilities | 199,061,912 | 191,089,411 | 5,897,821 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22) | | | |
| Share capital | 79,185,660 | 79,568,040 | 2,455,804 |
| Capital surplus | 23,758,550 | 22,266,500 | 687,238 |
| Retained earnings (Note 13) | | | |
| Legal reserve | 12,649,145 | 14,597,032 | 450,526 |
| Special reserve | 3,353,938 | 3,353,938 | 103,517 |
| Unappropriated earnings | 37,696,865 | 44,225,737 | 1,364,992 |
| Total retained earnings | 53,699,948 | 62,176,707 | 1,919,035 |
| Other equity | 5,080,790 | (1,840,937) | (56,819) |
| Treasury shares | (7,292,513) | (7,292,513) | (225,078) |
| Equity attributable to owners of the Company | 154,432,435 | 154,877,797 | 4,780,180 |
| NON-CONTROLLING INTERESTS (Notes 4 and 22) | 11,492,545 | 11,983,968 | 369,875 |
| Total equity | 165,924,980 | 166,861,765 | 5,150,055 |
| TOTAL | $ 364,986,892 | $ 357,951,176 | $ 11,047,876 |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**(Amounts in Thousands Except Earnings Per Share)**

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| OPERATING REVENUES (Note 4) | $ 256,591,447 | $ 283,302,536 | $ 274,884,107 | $ 8,484,077 |
| OPERATING COSTS (Notes 10 and 23) | 203,002,918 | 233,167,308 | 221,689,888 | 6,842,280 |
| GROSS PROFIT | 53,588,529 | 50,135,228 | 53,194,219 | 1,641,797 |
| OPERATING EXPENSES (Note 23 ) | | | | |
| Selling and marketing expenses | 3,438,166 | 3,588,472 | 3,432,487 | 105,941 |
| General and administrative expenses | 10,214,810 | 10,724,568 | 11,662,082 | 359,941 |
| Research and development expenses | 10,289,684 | 10,937,566 | 11,391,147 | 351,578 |
| Total operating expenses | 23,942,660 | 25,250,606 | 26,485,716 | 817,460 |
| OTHER OPERATING INCOME AND EXPENSES, NET (Note 23) | 228,615 | (251,529 ) | (800,280 ) | (24,700 ) |
| PROFIT FROM OPERATIONS | 29,874,484 | 24,633,093 | 25,908,223 | 799,637 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Note 23) | 529,251 | 815,778 | 589,236 | 18,186 |
| Other gains and losses (Note 23) | 607,299 | 1,748,795 | 2,276,544 | 70,264 |
| Finance costs (Note 23) | (2,354,097 ) | (2,312,143 ) | (2,261,075 ) | (69,786 ) |
| Share of the profit or loss of associates and joint ventures (Note 4) | (121,882 ) | 126,265 | 1,512,213 | 46,673 |
| Total non-operating income and expenses | (1,339,429 ) | 378,695 | 2,116,918 | 65,337 |
| PROFIT BEFORE INCOME TAX | 28,535,055 | 25,011,788 | 28,025,141 | 864,974 |
| INCOME TAX EXPENSE (Notes 4 and | 5,665,954 | 4,311,073 | 5,390,844 | 166,384 |
| PROFIT FOR THE YEAR | 22,869,101 | 20,700,715 | 22,634,297 | 698,590 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit obligation | (28,145 ) | (62,911 ) | (417,181 ) | (12,876 ) |
| Share of other comprehensive loss of associates and joint ventures | (1,031 ) | (37,748 ) | (49,794 ) | (1,537 ) |

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# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Amounts in Thousands Except Earnings Per Share)**

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Income tax relating to items that will not be reclassified subsequently | $ 23,885 | $ 11,002 | $ 73,637 | $ 2,273 |
| | (5,291 ) | (89,657 ) | (393,338 ) | (12,140 ) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | 5,405,008 | (63,509 ) | (6,445,643 ) | (198,940 ) |
| Unrealized gain (loss) on available-for-sale financial assets | (133,714 ) | 10,451 | (248,599 ) | (7,673 ) |
| Cash flow hedges | 3,279 | - | - | - |
| Share of other comprehensive income (loss) of associates and joint ventures | 235,156 | (4,832 ) | (871,679 ) | (26,904 ) |
| | 5,509,729 | (57,890 ) | (7,565,921 ) | (233,517 ) |
| Other comprehensive income (loss) for the year, net of income tax | 5,504,438 | (147,547 ) | (7,959,259 ) | (245,657 ) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 28,373,539 | $ 20,553,168 | $ 14,675,038 | $ 452,933 |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 22,228,602 | $ 19,732,148 | $ 21,361,606 | $ 659,309 |
| Non-controlling interests | 640,499 | 968,567 | 1,272,691 | 39,281 |
| | $ 22,869,101 | $ 20,700,715 | $ 22,634,297 | $ 698,590 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 27,394,362 | $ 19,659,081 | $ 13,994,159 | $ 431,917 |
| Non-controlling interests | 979,177 | 894,087 | 680,879 | 21,015 |
| | $ 28,373,539 | $ 20,553,168 | $ 14,675,038 | $ 452,932 |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | $ 2.89 | $ 2.58 | $ 2.79 | $ 0.09 |
| Diluted | $ 2.79 | $ 2.48 | $ 2.33 | $ 0.07 |
| EARNINGS PER AMERICAN DEPOSITARY SHARE (“ADS”) | | | | |
| Basic | $ 14.46 | $ 12.89 | $ 13.94 | $ 0.43 |
| Diluted | $ 13.93 | $ 12.38 | $ 11.67 | $ 0.36 |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(Amounts in Thousands)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Other Equity | | | | | | | |
| | Share Capital | | | Retained Earnings | | | | Exchange Differences on Translating Foreign Operations | Unrealized Gain on Available-for-sale Financial Assets | Cash Flow Hedges | Total | | | | |
| | Shares (In Thousands) | Amounts | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2014 | 7,787,827 | $ 78,180,258 | $ 7,921,375 | $ 8,720,971 | $ 3,663,930 | $ 25,190,778 | $ 37,575,679 | $ (525,521 ) | $ 426,246 | $ (3,279 ) | $ (102,554 ) | $ (1,959,107 ) | $ 121,615,651 | $ 4,128,361 | $ 125,744,012 |
| Change in capital surplus from investments in associates accounted for using the equity method | - | - | 26,884 | - | - | - | - | - | - | - | - | - | 26,884 | - | 26,884 |
| Net profit for the year ended December 31, 2014 | - | - | - | - | - | 22,228,602 | 22,228,602 | - | - | - | - | - | 22,228,602 | 640,499 | 22,869,101 |
| Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax | - | - | - | - | - | (4,434 ) | (4,434 ) | 5,066,383 | 100,532 | 3,279 | 5,170,194 | - | 5,165,760 | 338,678 | 5,504,438 |
| Total comprehensive income for the year ended December 31, 2014 | - | - | - | - | - | 22,224,168 | 22,224,168 | 5,066,383 | 100,532 | 3,279 | 5,170,194 | - | 27,394,362 | 979,177 | 28,373,539 |
| Appropriation of 2013 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 1,568,907 | - | (1,568,907 ) | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | (309,992 ) | 309,992 | - | - | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (10,156,005 ) | (10,156,005 ) | - | - | - | - | - | (10,156,005 ) | - | (10,156,005 ) |
| | - | - | - | 1,568,907 | (309,992 ) | (11,414,920 ) | (10,156,005 ) | - | - | - | - | - | (10,156,005 ) | - | (10,156,005 ) |
| Issue of dividends received by subsidiaries from the Company | - | - | 188,790 | - | - | - | - | - | - | - | - | - | 188,790 | - | 188,790 |
| Partial disposal of interests in subsidiaries and additional acquisition of partially-owned subsidiaries (Notes 21 and 28) | - | - | 6,876,866 | - | - | - | - | - | - | - | - | - | 6,876,866 | 3,067,712 | 9,944,578 |
| Issue of ordinary shares under employee share options | 73,898 | 534,921 | 1,000,065 | - | - | - | - | - | - | - | - | - | 1,534,986 | 120,376 | 1,655,362 |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (85,766 ) | (85,766 ) |
| BALANCE AT DECEMBER 31, 2014 | 7,861,725 | 78,715,179 | 16,013,980 | 10,289,878 | 3,353,938 | 36,000,026 | 49,643,842 | 4,540,862 | 526,778 | - | 5,067,640 | (1,959,107 ) | 147,481,534 | 8,209,860 | 155,691,394 |
| Equity component of convertible bonds issued by the Company | - | - | 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 (Adjusted) | - | - | - | - | - | 19,732,148 | 19,732,148 | - | - | - | - | - | 19,732,148 | 968,567 | 20,700,715 |
| 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 (loss) for the year ended December 31, 2015 | - | - | - | - | - | 19,645,931 | 19,645,931 | (48,191 ) | 61,341 | - | 13,150 | - | 19,659,081 | 894,087 | 20,553,168 |
| 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 partially-owned subsidiaries (Notes 21 and 28) | - | - | 7,197,510 | - | - | - | - | - | - | - | - | - | 7,197,510 | 1,712,836 | 8,910,346 |

(Continued)

## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
### (Amounts in Thousands)

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Other Equity | | | | | | | |
| | Share Capital | | | Retained Earnings | | | | Exchange Differences on Translating Foreign Operations | Unrealized Gain on Available-for-sale Financial Assets | Cash Flow Hedges | Total | Treasury Shares | Total | Non-Interests | Total Equity |
| | Shares (In Thousands) | Amounts | Capital | Legal Reserve | Special | Unappropriated Earnings | Total | | | | | | | | |
| Changes in percentage of ownership interest in subsidiaries | - | $ - | $ (563,815) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (563,815) | $ 563,815 | $ - |
| 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 | 23,758,550 | 12,649,145 | 3,353,938 | 37,696,865 | 53,699,948 | 4,492,671 | 588,119 | - | 5,080,790 | (7,292,513) | 154,432,435 | 11,492,545 | 165,924,980 |
| Change in capital surplus from investments in associates and joint ventures accounted for using the equity method | - | - | 51,959 | - | - | - | - | - | 43,536 | - | 43,536 | - | 95,495 | - | 95,495 |
| Net profit for the year ended December 31,2016 | - | - | - | - | - | 21,361,606 | 21,361,606 | - | - | - | - | - | 21,361,606 | 1,272,691 | 22,634,297 |
| 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 | - | - | - | - | - | 20,959,422 | 20,959,422 | (6,136,294) | (828,969) | - | (6,965,263) | - | 13,994,159 | 680,879 | 14,675,038 |
| 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 |
| Actual disposal or acquisition of interest in 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) | (2,825,773) |
| 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 | 7,021 |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (237,850) | (237,850) |
| Additional non-controlling interest arising on issue of employee share options by subsidiaries | - | - | (444,320) | - | - | - | - | - | - | - | - | - | (444,320) | 927,823 | 483,503 |
| BALANCE AT DECEMBER 31, 2016 | 7,946,184 | $ 79,568,040 | $ 22,266,500 | $ 14,597,032 | $ 3,353,938 | $ 44,225,737 | $ 62,176,707 | $ (1,643,623) | $ (197,314) | $ - | $ (1,840,937) | $ (7,292,513) | $ 154,877,797 | $ 11,983,968 | $ 166,861,765 |
| US DOLLARS (Note 4) BALANCE AT DECEMBER 31, 2016 | 7,946,184 | $ 2,455,804 | $ 687,238 | $ 450,526 | $ 103,517 | $ 1,364,992 | $ 1,919,035 | $ (50,729) | $ (6,090) | $ - | $ (56,819) | $ (225,078) | $ 4,780,180 | $ 369,875 | $ 5,150,055 |

The accompanying notes are an integral part of the consolidated financial statements (Concluded)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(Amounts in Thousands)**

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax | $ 28,535,055 | $ 25,011,788 | $ 28,025,141 | $ 864,974 |
| Adjustments for: | | | | |
| Depreciation expense | 25,805,042 | 28,938,770 | 28,961,614 | 893,877 |
| Amortization expense | 545,734 | 579,894 | 460,690 | 14,219 |
| Net gains on fair value change of financial assets and liabilities at fair value through profit or loss | (1,838,840 ) | (2,472,835 ) | (447,559 ) | (13,814 ) |
| Interest expense | 2,324,426 | 2,268,786 | 2,261,075 | 69,786 |
| Interest income | (243,474 ) | (242,084 ) | (230,067 ) | (7,101 ) |
| Dividend income | (101,252 ) | (396,973 ) | (26,411 ) | (815 ) |
| Compensation cost of employee share options | 110,157 | 133,496 | 470,788 | 14,530 |
| Share of loss (profit) of associates and joint ventures | 121,882 | (126,265 ) | (1,512,213 ) | (46,673 ) |
| Impairment loss recognized on financial assets | 28,421 | 8,232 | 91,886 | 2,836 |
| Reversal of impairment loss on financial assets | - | - | (28,022 ) | (865 ) |
| Impairment loss recognized on non-financial assets | 899,480 | 610,140 | 1,340,011 | 41,359 |
| Reversal of compensation cost for the settlement of legal claims | (91,305 ) | - | - | - |
| Net loss (gain) on foreign currency | 1,404,234 | 1,358,777 | (407,160 ) | (12,567 ) |
| Others | 404,443 | 1,411,599 | 1,031,422 | 31,834 |
| Changes in operating assets and liabilities | | | | |
| Financial assets held for trading | 823,313 | 4,162,522 | 1,052,111 | 32,473 |
| Trade receivables | (9,703,070 ) | 7,982,736 | (6,184,873 ) | (190,891 ) |
| Other receivables | (8,625 ) | 55,112 | (211,755 ) | (6,536 ) |
| Inventories | (8,208,824 ) | (5,128,726 ) | 3,156,759 | 97,431 |
| Other current assets | 102,353 | 407,017 | (24,517 ) | (757 ) |
| Financial liabilities held for trading | (835,779 ) | (1,725,606 ) | (2,952,116 ) | (91,115 ) |
| Trade payables | 6,422,305 | (1,272,717 ) | 1,665,420 | 51,402 |
| Other payables | 3,045,452 | (814,809 ) | 1,380,205 | 42,599 |
| Advance real estate receipts | - | 2,223,381 | (2,643,156 ) | (81,579 ) |
| Other current liabilities | 703,764 | 321,931 | 295,557 | 9,122 |
| Other operating activities items | (187,727 ) | (247,024 ) | (407,143 ) | (12,566 ) |
| | 50,057,165 | 63,047,142 | 55,117,687 | 1,701,163 |
| Interest received | 233,457 | 253,289 | 228,509 | 7,053 |
| Dividend received | 101,252 | 499,918 | 4,043,644 | 124,804 |
| Interest paid | (2,065,244 ) | (2,067,955 ) | (2,043,870 ) | (63,082 ) |
| Income tax paid | (2,463,153 ) | (4,184,089 ) | (5,238,103 ) | (161,670 ) |
| Net cash generated from operating activities | 45,863,477 | 57,548,305 | 52,107,867 | 1,608,268 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of financial assets designated as at fair value through profit or loss | (108,958,658 ) | (100,842,813 ) | (64,853,336 ) | (2,001,646 ) |
| Proceeds on sale of financial assets designated as at fair value through profit or loss | 109,825,159 | 102,139,161 | 66,472,870 | 2,051,632 |
| Purchase of available-for-sale financial assets | (3,565,428 ) | (1,273,510 ) | (1,590,928 ) | (49,103 ) |

(Continued)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(Amounts in Thousands)**

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Proceeds on sale of available-for-sale financial assets | $ 4,388,130 | $ 2,761,145 | $ 867,336 | $ 26,770 |
| Cash received from return of capital by available-for-sale financial assets | 20,411 | 44,511 | 28,927 | 893 |
| Acquisition of associates and joint ventures | (100,000 ) | (35,673,097 ) | (16,041,463 ) | (495,106 ) |
| Net cash outflow on acquisition of subsidiaries | - | - | (73,437 ) | (2,267 ) |
| Payments for property, plant and equipment | (39,598,964 ) | (30,280,124 ) | (26,714,163 ) | (824,511 ) |
| Proceeds from disposal of property, plant and equipment | 421,207 | 243,031 | 670,200 | 20,685 |
| Payments for intangible assets | (396,466 ) | (491,135 ) | (513,893 ) | (15,861 ) |
| Proceeds from disposal of intangible assets | - | - | 25,646 | 792 |
| Decrease (increase) in other financial assets | (372,569 ) | 358,266 | (1,231,186 ) | (38,000 ) |
| Increase in other non-current assets | (480,711 ) | (336,864 ) | (206,031 ) | (6,359 ) |
| Net cash used in investing activities | (38,817,889 ) | (63,351,429 ) | (43,159,458 ) | (1,332,081 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net repayment of short-term borrowings | (3,442,162 ) | (8,532,792 ) | (10,640,229 ) | (328,402 ) |
| Net proceeds from (repayment of) short-term bills payable | - | 4,348,054 | (4,348,054 ) | (134,199 ) |
| Proceeds from issue of bonds | 8,888,562 | 6,136,425 | 9,000,000 | 277,778 |
| Repayment of bonds payable | (729,790 ) | - | (10,365,135 ) | (319,912 ) |
| Proceeds from long-term borrowings | 32,030,868 | 39,887,570 | 62,282,917 | 1,922,312 |
| Repayment of long-term borrowings | (40,978,403 ) | (22,926,660 ) | (52,924,902 ) | (1,633,485 ) |
| Dividends paid | (9,967,215 ) | (15,297,474 ) | (12,243,766 ) | (377,894 ) |
| Proceeds from exercise of employee share options | 1,498,343 | 1,285,102 | 995,832 | 30,736 |
| Payments for acquisition of treasury shares | - | (5,333,406 ) | - | - |
| Proceeds from partial disposal of interests in subsidiaries | 9,991,439 | 8,910,346 | - | - |
| Decrease in non-controlling interests | (85,766 ) | (232,148 ) | (3,063,623 ) | (94,556 ) |
| Other financing activities items | (2,879 ) | 391,322 | 219,940 | 6,788 |
| Net cash generated from (used in) financing activities | (2,797,003 ) | 8,636,339 | (21,087,020 ) | (650,834 ) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY | 2,419,454 | 723,556 | (4,720,046 ) | (145,682 ) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,668,039 | 3,556,771 | (16,858,657 ) | (520,329 ) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 45,026,371 | 51,694,410 | 55,251,181 | 1,705,283 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 51,694,410 | $ 55,251,181 | $ 38,392,524 | $ 1,184,954 |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

(Amounts in Thousands, Unless Stated Otherwise)

## 1. GENERAL INFORMATION

Advanced Semiconductor Engineering, Inc. (the "Company"), a corporation incorporated under the laws of Republic of China (the "ROC"), and its subsidiaries (collectively referred to as the "Group") offer a comprehensive range of semiconductors packaging, testing, and electronic manufacturing services ("EMS").

The Company's ordinary shares are listed on the Taiwan Stock Exchange (the "TSE") under the symbol "2311". Since September 2000, the 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"), are listed on the Shanghai Stock Exchange (the "SSE") under the symbol "601231".

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 authorized for issue by the management on April 13, 2017.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IASB") ( collectively, "IFRSs")

a. Amendments to IFRSs and new interpretations that are mandatorily effective for the current year

In the current year, the Group has applied the following new, revised or amended standards and interpretations that have been issued and effective:

| New, Revised or Amended Standards and Interpretations | | Effective Date Issued by IASB (Note 1) |
|---|---|---|
| Amendments to IFRSs | Annual Improvements to IFRSs: 2012-2014 Cycle | January 1, 2016 (Note 2) |
| Amendments to IFRS 10, IFRS 12 and International Accounting Standard ("IAS") 28 | Investment Entities: Applying the Consolidation Exception | January 1, 2016 |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations | January 1, 2016 |

(Continued)

| New, Revised or Amended Standards and Interpretations | | Effective Date Issued by IASB (Note 1) |
|---|---|---|
| Amendments 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 |

(Concluded)

Note 1: The aforementioned new, revised or amended standards and interpretations are effective for annual period beginning on or after the effective dates, unless specified otherwise.

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.

The Group believes that the adoption of the aforementioned new, revised or amended standards and interpretations did not have a significant effect on the Group's accounting policies.

b. New, revised or amended standards and interpretations in issue but not yet effective

The Group has not applied the following new, revised or amended standards and interpretations that have been issued but are not yet effective:

| New, Revised or Amended Standards and Interpretations | | Effective Date Issued by IASB (Note 1) |
|---|---|---|
| Amendments to IFRSs | Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions | January 1, 2018 |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | 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 the IASB |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2018 |
| Amendments to IFRS 15 | Clarifications to IFRS 15 | January 1, 2018 |
| IFRS 16 | Leases | January 1, 2019 |
| Amendments 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: The aforementioned new, revised or amended standards and interpretations are effective for annual period beginning on or after the effective dates, unless specified otherwise.

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.

c. Significant changes in accounting policy resulted from new, revised and amended standards and interpretations in issue but not yet effective

Except for the following, the Group believes that the adoption of the aforementioned new, revised or amended standards and interpretations will not have a significant effect on the Group's accounting policies. As of the date that the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and operating results as a result of the initial adoption of the below standards and interpretations. The related impact will be disclosed when the Group completes the evaluation.

**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:

1) 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;

2) 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 gains or losses 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.

**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 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 Group'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 Group's share of the gain or loss is eliminated.

**IFRS 15 "Revenue from Contracts with Customers" and related amendments**

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.

As of the date the consolidated financial reports were authorized for issue by the management, the Group is still in the process of evaluating the effects on the adoption and the transition method while adopting IFRS 15 starting 2018.

**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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the IASB.

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:

| | | | **Percentage of Ownership (%)** | |
|---|---|---|---|---|
| | | | **December 31** | |
| **Name of Investee** | **Main Businesses** | **Establishment and Operating Location** | **2015** | **2016** |
| 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 investing activity | Nantou, ROC | 99.2 | 99.2 |
| Luchu Development Corporation ("Luchu") | Engaged in the development of real estate properties | Taipei, ROC | 86.1 | 86.1 |

(Continued)

| Name of Investee | Main Businesses | Establishment and Operating Location | Percentage of Ownership (%) December 31 2015 | Percentage of Ownership (%) December 31 2016 |
|---|---|---|---|---|
| TLJ Intertech Inc. ("TLJ") | Engaged in information software service 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 |
| 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 |

(Continued)

| Name of Investee | Main Businesses | Establishment and Operating Location | Percentage of Ownership (%) December 31 2015 | 2016 |
|---|---|---|---|---|
| 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 |
| Shanghai Ding Fan Department Store Co., Ltd. | Will 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 |

(Continued)

| Name of Investee | Main Businesses | Establishment and Operating Location | Percentage of Ownership (%) December 31 2015 | 2016 |
|---|---|---|---|---|
| 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 | 96.7 | 97.0 |
| USISH | Engaged in the designing, manufacturing and sale of electronic components | Shanghai, China | 75.7 | 75.9 |
| Universal Global Technology Co., Limited | Holding company | Hong Kong | 75.7 | 75.9 |
| Universal Global Technology (Kunshan) Co., Ltd. | Engaged in the designing and manufacturing of electronic components | Kun Shan, China | 75.7 | 75.9 |
| 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 | 75.7 | 75.9 |
| Universal Global Electronics (Shanghai) Co., Ltd. | Engaged in the sale of electronic components and telecommunications equipment | Shanghai, China | 75.7 | 75.9 |
| Universal Global Industrial Co., Limited | Engaged in manufacturing, trading and investing activity | Hong Kong | 75.7 | 75.9 |
| 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 | 75.7 | 75.9 |
| USI America Inc. | Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service. The name was changed from USI Manufacturing Service Inc. to USI America Inc. in May 2015 | U.S.A. | 75.7 | 75.9 |
| Universal Scientific Industrial De Mexico S.A. De C.V. | Engaged in the assembling of motherboards and computer components | Mexico | 75.7 | 75.9 |

(Continued)

| Name of Investee | Main Businesses | Establishment and Operating Location | Percentage of Ownership (%) December 31 2015 | 2016 |
|---|---|---|---|---|
| USI Japan Co., Ltd. | Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories | Japan | 75.7 | 75.9 |
| USI Electronics (Shenzhen) Co., Ltd. | Engaged in the design, manufacturing and sale of motherboards and computer peripherals | Shenzhen, China | 75.7 | 75.9 |
| Universal Scientific Industrial Co., Ltd. ("USI") | Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories | Nantou, ROC | 99.0 | 75.2 |

(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 retrospectively 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 of associates or joint arrangements that do not result in the Group losing significant influence or joint control, 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 fair value of the net 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.

<u>The Group as lessor</u>

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.

v. U.S. Dollar Amounts

A translation of the consolidated financial statements into U.S. dollars is included solely for the convenience of the readers, and has been translated from New Taiwan dollar (NT$) at the exchange rate as set forth in the statistical release by the U.S. Federal Reserve Board of the United States, which was NT$32.4 to US$1.00 as of December 31, 2016. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 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 fair value of identifiable assets acquired and liabilities assumed.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Cash on hand | $ 8,806 | $ 6,856 | $ 212 |
| Checking accounts and demand deposits | 50,291,823 | 28,823,763 | 889,622 |
| Cash equivalent | 4,950,552 | 9,561,905 | 295,120 |
| | $ 55,251,181 | $ 38,392,524 | $ 1,184,954 |

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Financial assets designated as at FVTPL | | | |
| Private-placement convertible bonds | $ 100,500 | $ 100,583 | $ 3,104 |
| Structured time deposits | 1,646,357 | - | - |
| | 1,746,857 | 100,583 | 3,104 |
| Financial assets held for trading | | | |
| Quoted shares | 37,058 | 1,855,073 | 57,255 |
| Open-end mutual funds | 573,242 | 584,945 | 18,054 |
| Swap contracts | 1,452,611 | 462,339 | 14,270 |
| Forward exchange contracts | 18,913 | 66,872 | 2,064 |
| Foreign currency option contracts | 5,020 | - | - |
| | 2,086,844 | 2,969,229 | 91,643 |
| | $ 3,833,701 | $ 3,069,812 | $ 94,747 |
| Financial liabilities held for trading | | | |
| Conversion option, redemption option and put option of convertible bonds (Note 19) | $ 2,632,565 | $ 1,213,890 | $ 37,466 |
| Swap contracts | 290,176 | 422,934 | 13,054 |
| Forward exchange contracts | 69,207 | 108,912 | 3,361 |
| Foreign currency option contracts | 13,659 | 17,924 | 553 |
| Interest rate swap contracts | 119 | - | - |
| | $ 3,005,726 | $ 1,763,660 | $ 54,434 |

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) |
|---|---|---|
| December 31, 2015 | | |
| 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$3,005,494 |
| December 31, 2016 | | |
| Sell NT$/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 |

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) |
|---|---|---|
| December 31, 2015 | | |
| 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$11,400/SGD16,079 |
| December 31, 2016 | | |
| Sell NT$/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 |

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) |
|---|---|---|
| December 31, 2015 | | |
| 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$1,000/CNY6,900 |
| December 31, 2016 | | |
| Buy US$ Call/CNY Put | 2017.08 (Note) | US$2,000/CNY13,800 |
| Sell US$ Put/CNY Call | 2017.08 (Note) | US$1,000/CNY6,900 |

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 |
|---|---|---|---|
| December 31, 2015 | | | |
| 2016.10 | NT$1,000,000 | 4.6% (Fixed) | 0.0%~5.0% (Floating) |

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Unquoted ordinary shares | $ 249,217 | $ 553,350 | $ 17,078 |
| Limited partnership | 476,612 | 273,372 | 8,437 |
| Open-end mutual funds | 16,037 | 243,458 | 7,514 |
| Quoted ordinary shares | 197,580 | 146,786 | 4,531 |
| Unquoted preferred shares | 15,260 | 78,068 | 2,410 |
| | 954,706 | 1,295,034 | 39,970 |
| Current | 30,344 | 266,696 | 8,231 |
| Non-current | $ 924,362 | $ 1,028,338 | $ 31,739 |

## 9. TRADE RECEIVABLES, NET

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Trade receivables | $ 45,014,393 | $ 51,199,266 | $ 1,580,225 |
| Less: Allowance for doubtful debts | 82,906 | 53,709 | 1,658 |
| Trade receivables, net | $ 44,931,487 | $ 51,145,557 | $ 1,578,567 |

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, 2015 and 2016, except that the Group's five largest customers accounted for 26% and 30% 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Not past due | $ 40,409,227 | $ 45,959,876 | $ 1,418,515 |
| 1 to 30 days | 3,901,300 | 4,467,435 | 137,884 |
| 31 to 90 days | 495,664 | 700,122 | 21,609 |
| More than 91 days | 208,202 | 71,833 | 2,217 |
| Total | $ 45,014,393 | $ 51,199,266 | $ 1,580,225 |

Aging of receivables that were past due but not impaired

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| 1 to 30 days | $ 3,086,796 | $ 4,449,479 | $ 137,330 |
| 31 to 90 days | 344,265 | 596,647 | 18,415 |
| Total | $ 3,431,061 | $ 5,046,126 | $ 155,745 |

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 NT$ | Impaired Collectively NT$ | Total NT$ |
|---|---|---|---|
| Balance at January 1, 2014 | $ 26,885 | $ 41,235 | $ 68,120 |
| Impairment losses recognized | 2,875 | 15,156 | 18,031 |
| Amount written off during the period as uncollectible | (891) | (917) | (1,808) |
| Effect of foreign currency exchange | (564) | 366 | (198) |
| Balance at December 31, 2014 | $ 28,305 | $ 55,840 | $ 84,145 |
| 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 | (458) | (1,187) | (1,645) |
| Balance at December 31, 2015 | $ 39,046 | $ 43,860 | $ 82,906 |
| 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 | (1,092) | (83) | (1,175) |
| Balance at December 31, 2016 | $ 16,453 | $ 37,256 | $ 53,709 |

| | Impaired Individually US$ (Note 4) | Impaired Collectively US$ (Note 4) | Total US$ (Note 4) |
|---|---|---|---|
| Balance at January 1, 2016 | $ 1,205 | $ 1,354 | $ 2,559 |
| Impairment losses reversed | (664) | (201) | (865) |
| Effect of foreign currency exchange | (33) | (3) | (36) |
| Balance at December 31, 2016 | $ 508 | $ 1,150 | $ 1,658 |

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, 2015 | | | | | |
| Citi bank | US$ 78,804 | US$ 36,955 | US$ 41,849 | 1.30 | US$ 92,000 |
| Year ended December 31, 2016 | | | | | |
| Citi bank | US$ - | US$ 41,849 | US$ - | - | US$ 66,000 |

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$5,000 thousand and US$2,000 thousand as of

December 31, 2015 and 2016, respectively. As of December 31, 2016, there was no significant loss from commercial disputes in the past and the Company does not expect any significant commercial dispute loss in the foreseeable future.

## 10. INVENTORIES

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Finished goods | $ 10,012,182 | $ 6,519,465 | $ 201,218 |
| Work in process | 1,692,346 | 2,822,687 | 87,120 |
| Raw materials | 9,672,894 | 10,850,062 | 334,879 |
| Supplies | 852,251 | 795,093 | 24,540 |
| Raw materials and supplies in transit | 1,028,606 | 450,755 | 13,912 |
| | $ 23,258,279 | $ 21,438,062 | $ 661,669 |

The cost of inventories recognized as operating costs for the years ended December 31, 2014, 2015 and 2016 were NT$202,960,428 thousand, NT$233,165,722 thousand and NT$219,623,236 thousand (US$6,778,495 thousand), respectively, which included write-downs of inventories at NT$601,726 thousand, NT$352,011 thousand and NT$451,780 thousand (US$13,944 thousand), respectively.

## 11. INVENTORIES RELATED TO REAL ESTATE BUSINESS

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Land and buildings held for sale | $ 5,431 | $ 263,526 | $ 8,134 |
| Construction in progress (Note 17) | 23,956,678 | 22,236,464 | 686,310 |
| Land held for construction | 1,751,429 | 1,687,525 | 52,084 |
| | $ 25,713,538 | $ 24,187,515 | $ 746,528 |

Land and buildings held for sale located in Kun Shan Qiandeng and Shanghai Zhangjiang, China were completed and successively 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, 2014, 2015 and 2016 is disclosed in Note 23.

As of December 31, 2015 and 2016, inventories related to real estate business of NT$24,837,046 thousand and NT$12,076,154 thousand (US$372,721 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Unsecured subordinate corporate bonds | $ - | $ 1,000,000 | $ 30,864 |
| Time deposits with original maturity of over three months | 220,545 | 480,736 | 14,837 |
| Pledged time deposits (Note 34) | 207,359 | 206,530 | 6,374 |
| Guarantee deposits | 197,513 | 178,103 | 5,497 |
| Others (Note 34) | 22,254 | 13,698 | 423 |
| | 647,671 | 1,879,067 | 57,995 |
| Current | 301,999 | 558,686 | 17,243 |
| Non-current | $ 345,672 | $ 1,320,381 | $ 40,752 |

In June 2016, the Group acquired 1,000 units of perpetual unsecured subordinate corporate bonds in the amount of NT$1,000,000 thousand (US$30,864 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 | | |
|---|---|---|---|
| | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Investments in associates | $ 36,508,403 | $ 49,162,443 | $ 1,517,359 |
| Investments in joint venture | 613,841 | 670,550 | 20,696 |
| | $ 37,122,244 | $ 49,832,993 | $ 1,538,055 |

a. Investments in associates

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

| | | | Carrying Amount as of December 31 | | |
|---|---|---|---|---|---|
| | | | 2015 (Adjusted) | 2016 | |
| Name of Associate | Main Business | Operating Location | NT$ | NT$ | US$ (Note 4) |
| Material associate | | | | | |
| Siliconware Precision Industries Co., Ltd. (“SPIL”) | Engaged in assembly, testing and turnkey services of integrated circuits | ROC | $35,141,701 | $45,898,225 | $1,416,612 |
| Associates that are not individually material | | | | | |
| 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 | 56,183 |
| Hung Ching Development & Construction Co. (“HC”) | Engaged in the development, construction and leasing of real estate properties | ROC | 1,294,191 | 1,156,833 | 35,705 |
| Hung Ching Kwan Co. (“HCK”) | Engaged in the leasing of real estate properties | ROC | 332,444 | 321,120 | 9,911 |

(Continued)

| Name of Associate | Main Business | Operating Location | Carrying Amount as of December 31 2015 (Adjusted) NT$ | 2016 NT$ | 2016 US$ (Note 4) |
|---|---|---|---|---|---|
| Advanced Microelectronic Products Inc. ("AMPI") | Engaged in integrated circuit | ROC | $ 40,216 | $ 266,085 | $ 8,212 |
| | | | 36,808,552 | 49,462,592 | 1,526,623 |
| | Less: Deferred gain on transfer of land | | 300,149 | 300,149 | 9,264 |
| | | | $36,508,403 | $49,162,443 | $1,517,359 |

(Concluded)

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

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

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 (US$423,935 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:

| | Initially recognized NT$ | After adjustment NT$ |
|---|---|---|
| Investments accounted for using the equity method - SPIL | $ 35,423,058 | $ 35,141,701 |
| Retained earnings | $ 53,981,305 | $ 53,699,948 |

   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 January 2014, the Company acquired additional ordinary shares of AMPI in a private placement and, as a result, obtained significant influence over AMPI. In November 2016, the Company's

subsidiary, ASE Test, Inc., also purchased 90,000 thousand ordinary shares of AMPI in a private placement with NT$225,000 thousand (US$6,944 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, ASE Test, Inc. has not completed the identification of the difference between the cost of the investment and the share of the net fair value of AMPI's identifiable assets and liabilities. The private-placement ordinary shares were all restricted for disposal during a 3-year lock-up period.

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| SPIL | $ 40,741,700 | $ 49,634,805 | $ 1,531,938 |
| HC | $ 1,149,549 | $ 1,310,829 | $ 40,458 |
| AMPI | $ 104,255 | $ 307,038 | $ 9,476 |

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 IFRSs as issued by IASB and adjusted by the Group for equity method accounting purposes. The Group received cash dividends of nil and NT$3,941,740 thousand (US$121,659 thousand) from SPIL for the years ended December 31, 2015 and 2016, respectively.

| | December 31 | | |
|---|---|---|---|
| | 2015 (Adjusted) | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Current assets | $ 48,785,212 | $ 50,451,295 | $ 1,557,139 |
| Non-current assets | 112,511,491 | 107,573,251 | 3,320,162 |
| Current liabilities | (30,677,239) | (41,088,439) | (1,268,162) |
| Non-current liabilities | (23,002,788) | (17,518,410) | (540,692) |
| Equity | $ 107,616,676 | $ 99,417,697 | $ 3,068,447 |
| Proportion of the Group's ownership interest in SPIL | 24.99% | 33.29% | 33.29% |
| Net assets attributable to the Group | $ 26,893,407 | $ 33,096,151 | $ 1,021,486 |
| Goodwill | 8,248,294 | 12,802,074 | 395,126 |
| Carrying amount | $ 35,141,701 | $ 45,898,225 | $ 1,416,612 |

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Operating revenue | $ 82,839,922 | $ 85,111,913 | $ 2,626,911 |
| Gross profit | $ 20,483,422 | $ 15,027,247 | $ 463,804 |
| Profit before income tax | $ 9,251,644 | $ 7,351,661 | $ 226,903 |
| Net profit for the year | $ 7,885,585 | $ 5,484,462 | $ 169,273 |

| | | | |
|---|---|---|---|
| Other comprehensive loss for the year | (906,776) | (2,373,532) | (73,257) |
| Total comprehensive income for the year | $ 6,978,809 | $ 3,110,930 | $ 96,016 |

8) Aggregate information of associates that are not individually material

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| The Group's share of: | | | | |
| Net profit (loss) for the year | $ 133,929 | $ 120,749 | $ (139,366) | $ (4,302) |
| Other comprehensive income (loss) for the year | 234,125 | (2,916) | (115,650) | (3,569) |
| Total comprehensive income (loss) for the year | $ 368,054 | $ 117,833 | $ (255,016) | $ (7,871) |

b. Investments in joint venture

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 Croup invested NT$618,097 thousand in August 2015 and participated in ASEEE's cash capital increase with NT$146,903 thousand (US$4,534 thousand) in September 2016. As of December 31, 2015 and 2016, the percentages 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 the joint venture that is not individually material

| | For the Year Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| The Group's share of net loss and total comprehensive loss for the year | $(4,274) | $(90,478) | $(2,793) |

## 14. PROPERTY, PLANT AND EQUIPMENT

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

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Land | $ 3,381,300 | $ 3,365,013 | $ 103,858 |
| Buildings and improvements | 59,801,054 | 58,028,631 | 1,791,007 |

(Continued)

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Machinery and equipment | $ 78,715,309 | $ 72,700,762 | $ 2,243,851 |
| Other equipment | 1,814,994 | 2,089,581 | 64,493 |
| Construction in progress and machinery in transit | 6,284,418 | 7,696,254 | 237,539 |
| | $ 149,997,075 | $ 143,880,241 | $ 4,440,748 |

(Concluded)

For the year ended December 31, 2014

| | Land | Buildings and improvements | Machinery and equipment | Other equipment | Construction in progress and machinery in transit | Total |
|---|---|---|---|---|---|---|
| | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ |
| Cost | | | | | | |
| Balance at January 1, 2014 | $ 3,295,758 | $ 70,593,537 | $208,351,905 | $ 6,384,589 | $ 7,009,702 | $295,635,491 |
| Additions | - | 1,246,123 | 1,140,822 | 572,766 | 40,488,876 | 43,448,587 |
| Disposals | - | (299,515) | (8,188,532) | (447,047) | (56,209) | (8,991,303) |
| Reclassification | - | 12,683,476 | 27,935,525 | 395,115 | (41,044,364) | (30,248) |
| Effect of foreign currency exchange differences | 52,260 | 2,501,633 | 4,429,907 | 277,151 | (535,788) | 6,725,163 |
| Balance at December 31, 2014 | $ 3,348,018 | $ 86,725,254 | $233,669,627 | $ 7,182,574 | $ 5,862,217 | $336,787,690 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2014 | $ - | $ 25,826,936 | $133,266,723 | $ 5,044,501 | $ - | $164,138,160 |
| Depreciation expense | - | 3,980,337 | 21,180,214 | 644,491 | - | 25,805,042 |
| Impairment losses recognized | - | 79,124 | 211,466 | - | 7,164 | 297,754 |
| Disposals | - | (248,477) | (7,786,216) | (433,863) | - | (8,468,556) |
| Reclassification | - | 7,459 | (7,122) | (7,907) | - | (7,570) |
| Effect of foreign currency exchange differences | - | 684,165 | 2,632,915 | 118,665 | - | 3,435,745 |
| Balance at December 31, 2014 | $ - | $ 30,329,544 | $149,497,980 | $ 5,365,887 | $ 7,164 | $185,200,575 |

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$ |
| Cost | | | | | | |
| 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 | 33,282 | (584,338) | (952,295) | (18,811) | 256,088 | (1,266,074) |
| Balance at December 31, 2015 | $ 3,381,300 | $ 94,447,932 | $243,283,607 | $ 7,722,408 | $ 6,397,760 | $355,233,007 |
| Accumulated depreciation and impairment | | | | | | |
| 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 | - | (290,545) | (482,349) | (12,688) | (411) | (785,993) |
| Balance at December 31, 2015 | $ - | $ 34,646,878 | $164,568,298 | $ 5,907,414 | $ 113,342 | $205,235,932 |

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$ |
| Cost | | | | | | |
| 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 | (16,287) | (2,637,502) | (8,882,884) | (251,261) | (45,291) | (11,833,225) |
| Balance at December 31, 2016 | $ 3,365,013 | $ 96,258,175 | $248,200,756 | $ 8,474,661 | $ 7,713,542 | $364,012,147 |
| Accumulated depreciation and impairment | | | | | | |
| 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 | - | (1,077,896) | (7,392,888) | (236,371) | (1,929) | (8,709,084) |
| Balance at December 31, 2016 | $ - | $ 38,229,544 | $175,499,994 | $ 6,385,080 | $ 17,288 | $220,131,906 |

| | Land | Buildings and improvements | Machinery and equipment | Other equipment | Construction in progress and machinery in transit | Total |
|---|---|---|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| Cost | | | | | | |
| Balance at January 1,2016 | $ 104,361 | $ 2,915,060 | $ 7,508,753 | $ 238,346 | $ 197,462 | $ 10,963,982 |
| Additions | - | 690 | 2,916 | 14,534 | 836,208 | 854,348 |
| Disposals | - | (21,133) | (183,833) | (4,933) | (8,296) | (218,195) |
| Reclassification | - | 157,719 | 606,844 | 21,336 | (785,904) | (5) |
| Acquisitions through business combinations | - | - | - | 36 | - | 36 |
| Effect of foreign currency exchange differences | (503) | (81,404) | (274,163) | (7,755) | (1,398) | (365,223) |
| Balance at December 31, 2016 | $ 103,858 | $ 2,970,932 | $ 7,660,517 | $ 261,564 | $ 238,072 | $ 11,234,943 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2016 | $ - | $ 1,069,348 | $ 5,079,268 | $ 182,328 | $ 3,498 | $ 6,334,442 |
| Depreciation expense | - | 157,848 | 709,361 | 26,668 | - | 893,877 |
| Impairment losses recognized | - | 19 | 27,041 | 172 | 183 | 27,415 |
| Disposals | - | (13,864) | (171,126) | (4,688) | (3,088) | (192,766) |
| Reclassification | - | (158) | 298 | (140) | - | - |
| Acquisitions through business combinations | - | - | - | 25 | - | 25 |
| Effect of foreign currency exchange differences | - | (33,268) | (228,176) | (7,294) | (60) | (268,798) |
| Balance at December 31,2016 | $ - | $ 1,179,925 | $ 5,416,666 | $ 197,071 | $ 533 | $ 6,794,195 |

Due to the Group's future operation plans and capacity evaluation or production demands, the Group believed that a portion of property, plant and equipment used in packaging segment, testing segment, EMS segment and other segment was not used and recognized an impairment loss of NT$297,754 thousand, NT$258,129 thousand and NT$888,231 thousand (US$27,415 thousand) under the line item of other operating income and expenses in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2015 and 2016, 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, 2014, 2015 and 2016 are disclosed in Note 23.

## 15. GOODWILL

| | Cost | Accumulated impairment | Carrying amount |
|---|---|---|---|
| | NT$ | NT$ | NT$ |
| Balance at January 1, 2014 | $ 12,336,816 | $ 1,988,996 | $ 10,347,820 |
| Effect of foreign currency exchange differences | 97,595 | - | 97,595 |
| Balance at December 31, 2014 | 12,434,411 | 1,988,996 | 10,445,415 |
| Effect of foreign currency exchange differences | 61,104 | - | 61,104 |
| Balance at December 31, 2015 | 12,495,515 | 1,988,996 | 10,506,519 |
| Acquisitions through business combinations | 83,892 | - | 83,892 |
| Effect of foreign currency exchange differences | (31,533) | - | (31,533) |
| Balance at December 31, 2016 | $ 12,547,874 | $ 1,988,996 | $ 10,558,878 |

| | Cost | Accumulated impairment | Carrying amount |
|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| Balance at January 1, 2016 | $ 385,664 | $ 61,389 | $ 324,275 |
| Acquisitions through business combinations | 2,589 | - | 2,589 |
| Effect of foreign currency exchange differences | (973) | - | (973) |
| Balance at December 31, 2016 | $ 387,280 | $ 61,389 | $ 325,891 |

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:

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| Cash-generating units | NT$ | NT$ | US$ (Note 4) |
| Testing segment | $ 7,890,525 | $ 7,868,961 | $ 242,869 |
| Others | 2,615,994 | 2,689,917 | 83,022 |
| | $ 10,506,519 | $ 10,558,878 | $ 325,891 |

b. Impairment assessment

At the end of each year, the Group performs impairment assessment by reviewing the recoverable amounts based on value in use 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, 2014, 2015 and 2016, 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 9.70%-11.50%, 8.67%- 10.71% and 9.09%- 10.49% as of December 31, 2014, 2015 and 2016, 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Customer relationships | $ 274,402 | $ 194,089 | $ 5,990 |
| Computer software | 953,322 | 943,527 | 29,121 |
| Patents and acquired specific technology | 15,696 | 302,955 | 9,351 |
| Others | 138,673 | 120,418 | 3,717 |
| | $ 1,382,093 | $ 1,560,989 | $ 48,179 |

For the year ended December 31, 2014

| | Customer relationships | Computer software | Patents and acquired specific technology | Others | Total |
|---|---|---|---|---|---|
| | NT$ | NT$ | NT$ | NT$ | NT$ |
| Cost | | | | | |
| Balance at January 1, 2014 | $ 1,579,015 | $ 3,679,835 | $ 2,135,697 | $ 168,958 | $ 7,563,505 |
| Additions | - | 375,623 | - | 20,843 | 396,466 |
| Disposals or derecognization | - | (1,232,757) | - | (6,406) | (1,239,163) |
| Reclassification | - | 6,228 | - | - | 6,228 |
| Effect of foreign currency exchange differences | - | 54,002 | 3,441 | 1,015 | 58,458 |
| Balance at December 31, 2014 | $ 1,579,015 | $ 2,882,931 | $ 2,139,138 | $ 184,410 | $ 6,785,494 |

(Continued)

| | Customer relationships NT$ | Computer software NT$ | Patents and acquired specific technology NT$ | Others NT$ | Total NT$ |
|---|---|---|---|---|---|
| Accumulated amortization | | | | | |
| Balance at January 1, 2014 | $ 924,194 | $ 3,002,828 | $ 2,011,272 | $ 19,387 | $ 5,957,681 |
| Amortization expense | 153,320 | 269,375 | 105,516 | 17,523 | 545,734 |
| Disposals or derecognization | - | (1,227,346) | - | - | (1,227,346) |
| Reclassification | - | 2,516 | - | - | 2,516 |
| Effect of foreign currency exchange differences | - | 37,431 | 1,466 | 141 | 39,038 |
| Balance at December 31, 2014 | $ 1,077,514 | $ 2,084,804 | $ 2,118,254 | $ 37,051 | $ 5,317,623 |

(Concluded)

For the year ended December 31, 2015

| | Customer relationships NT$ | Computer software NT$ | Patents and acquired specific technology NT$ | Others NT$ | Total NT$ |
|---|---|---|---|---|---|
| Cost | | | | | |
| 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 derecognization | (663,379) | (8,426) | (1,983,914) | (204) | (2,655,923) |
| Reclassification | - | 12,360 | - | - | 12,360 |
| Effect of foreign currency exchange differences | - | (29,918) | (1,351) | (381) | (31,650) |
| Balance at December 31, 2015 | $ 915,636 | $ 3,338,360 | $ 154,082 | $ 193,338 | $ 4,601,416 |
| Accumulated amortization | | | | | |
| 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 derecognization | (663,379) | (7,402) | (1,983,914) | - | (2,654,695) |
| Reclassification | - | 3,190 | - | - | 3,190 |
| Effect of foreign currency exchange differences | - | (21,411) | (5,415) | 137 | (26,689) |
| Balance at December 31, 2015 | $ 641,234 | $ 2,385,038 | $ 138,386 | $ 54,665 | $ 3,219,323 |

For the year ended December 31, 2016

| Cost | Customer relationships NT$ | Computer software NT$ | Patents and acquired specific technology NT$ | Others NT$ | Total NT$ |
|---|---|---|---|---|---|
| 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 | - | (77,782) | (4,846) | (2,581) | (85,209) |
| Balance at December 31, 2016 | $ 915,636 | $ 3,552,229 | $ 451,137 | $ 192,392 | $ 5,111,394 |
| **Accumulated amortization** | | | | | |
| 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 |
| Disposals | - | (58,765) | (1,310) | - | (60,075) |
| Reclassification | - | - | 786 | - | 786 |
| Acquisitions through business combinations | - | - | 483 | 23 | 506 |
| Effect of foreign currency exchange differences | - | (63,407) | (7,283) | (135) | (70,825) |
| Balance at December 31, 2016 | $ 721,547 | $ 2,608,702 | $ 148,182 | $ 71,974 | $ 3,550,405 |

| Cost | Customer relationships US$ (Note 4) | Computer software US$ (Note 4) | Patents and acquired specific technology US$ (Note 4) | Others US$ (Note 4) | Total US$ (Note 4) |
|---|---|---|---|---|---|
| Balance at January 1, 2016 | $ 28,260 | $ 103,036 | $ 4,756 | $ 5,967 | $ 142,019 |
| Additions (Note 33) | - | 11,487 | 9,301 | 50 | 20,838 |
| Disposals | - | (2,486) | (40) | - | (2,526) |
| Reclassification | - | - | 24 | - | 24 |
| Acquisitions through business combinations | - | - | 33 | 1 | 34 |
| Effect of foreign currency exchange differences | - | (2,401) | (150) | (80) | (2,631) |
| Balance at December 31, 2016 | $ 28,260 | $ 109,636 | $ 13,924 | $ 5,938 | $ 157,758 |

(Continued)

| Accumulated amortization | Customer relationships US$ (Note 4) | Computer software US$ (Note 4) | Patents and acquired specific technology US$ (Note 4) | Others US$ (Note 4) | Total US$ (Note 4) |
|---|---|---|---|---|---|
| Balance at January 1, 2016 | $ 19,791 | $ 73,612 | $ 4,271 | $ 1,687 | $ 99,361 |
| Amortization expense | 2,479 | 10,674 | 528 | 538 | 14,219 |
| Disposals | - | (1,814) | (40) | - | (1,854) |
| Reclassification | - | - | 24 | - | 24 |
| Acquisitions through business combinations | - | - | 15 | 1 | 16 |
| Effect of foreign currency exchange differences | - | (1,957) | (225) | (5) | (2,187) |
| Balance at December 31, 2016 | $ 22,270 | $ 80,515 | $ 4,573 | $ 2,221 | $ 109,579 |

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 rights located in China with periods for use from 50 to 70 years. As of December 31, 2014, 2015 and 2016, the carrying amount of the land use right which the Group was in the process of obtaining the certificates was NT$17,594 thousand, nil and nil, respectively. During 2014, the land use right located in China which the Group obtained the certificates was reclassified from long-term prepayments for lease to construction in progress under inventories related to real estate business.

## 18. BORROWINGS

a. Short-term borrowings

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

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

| | |
|---|---|
| Commercial papers | $ 4,350,000 |
| Less: unamortized arrangement fee | 1,946 |
| | $ 4,348,054 |
| Annual interest rate | 0.78% |

The commercial papers were secured by China Bills Finance Corporation and Mega Bills Finance Corporation.

c. Long-term borrowings

1) Bank loans

As of December 31, 2015 and 2016, the long-term bank loans with fixed interest rates were both amounted to NT$1,500,000 thousand (US$46,297 thousand), respectively, with annual interest rates at 1.17% and 1.20%, 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:

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Working capital bank loans | | | |
| Syndicated bank loans - repayable through January 2017 to July 2018, annual interest rates were 1.56%-1.92% and 2.55% as of December 31, 2015 and 2016, respectively | $ 12,159,037 | $ 9,223,500 | $ 284,676 |
| Others - repayable through January 2017 to November 2019, annual interest rates were 0.90%-3.98% and 0.74%-4.48% as of December 31, 2015 and 2016, respectively | 25,660,638 | 36,009,917 | 1,111,417 |
| Mortgage loans | | | |
| Repayable through July 2017 to June 2023, annual interest rates were both 4.95%-5.39% as of December 31, 2015 and 2016 | 3,251,139 | 4,390,003 | 135,494 |
| | 41,070,814 | 49,623,420 | 1,531,587 |
| Less: unamortized arrangement fee | 18,670 | 7,198 | 222 |
| | 41,052,144 | 49,616,222 | 1,531,365 |
| Less: current portion | 2,057,465 | 6,567,565 | 202,703 |
| | $ 38,994,679 | $ 43,048,657 | $ 1,328,662 |

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 under local GAAP. The Company and its subsidiaries were in compliance with all of the financial covenants as of December 31, 2015 and 2016.

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Unsecured commercial paper | $ 2,000,000 | $ 2,000,000 | $ 61,728 |
| Less: unamortized arrangement fee | 1,011 | 659 | 20 |
| Long-term borrowings | $ 1,998,989 | $ 1,999,341 | $ 61,708 |
| Annual interest rates | 1.03% | 1.00% | 1.00% |

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Unsecured domestic bonds | | | |
| Repayable at maturity in January 2021 and interest due annually with annual interest rate at 1.30% | $ - | $ 7,000,000 | $ 216,049 |
| Repayable at maturity in January 2023 and interest due annually with annual interest rate at 1.50% | - | 2,000,000 | 61,728 |
| Unsecured convertible overseas bonds | | | |
| US$400,000 thousand | 13,130,000 | 12,900,000 | 398,148 |
| US$200,000 thousand (linked to New Taiwan dollar) | 6,185,600 | 6,185,600 | 190,914 |
| 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% | 9,847,500 | 9,675,000 | 298,611 |
| CNY500,000 thousand, with annual interest rate at 4.25% and repaid in September 2016 | 2,527,489 | - | - |
| Secured domestic bonds - secured by banks | | | |
| With annual interest rate at 1.45% and repaid in August 2016 | 8,000,000 | - | - |
| | 39,690,589 | 37,760,600 | 1,165,450 |
| Less: discounts on bonds payable | 1,264,339 | 760,697 | 23,478 |
| | 38,426,250 | 36,999,903 | 1,141,972 |
| Less: current portion | 14,685,866 | 9,658,346 | 298,097 |
| | $ 23,740,384 | $ 27,341,557 | $ 843,875 |

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, 2015 and 2016, the conversion price was NT$30.28 and NT$28.99 (US$0.89), respectively. As of April 13, 2017, the date the consolidated financial statements were authorized for issue by the management, the conversion price was adjusted to NT$28.96 (US$0.89) due to the Company's cash capital increase in February 2017 (Note 22).

   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, 2015 and 2016, the conversion price was NT$51.73 and NT$49.52 (US$1.53), respectively. As of April 13, 2017, the date the consolidated financial statements were authorized for issue by the management, the conversion price was adjusted to NT$49.48 (US$1.53) due to the Company's cash capital increase in February 2017 (Note 22).

   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 (US$114,198 thousand) with a maturity of 5 years in January 2022, and of NT$4,300,000 thousand (US$132,716 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Accrued salary and bonus | $ 5,826,982 | $ 6,606,406 | $ 203,901 |
| Payables for property, plant and equipment | 4,782,357 | 5,605,528 | 173,010 |
| Accrued employees' compensation and remuneration to directors | 2,270,608 | 2,400,778 | 74,098 |
| Accrued employee insurance | 599,218 | 617,419 | 19,056 |
| Accrued utilities | 466,956 | 410,796 | 12,679 |
| Payables for patents and acquired specific technology (Note 33) | - | 120,938 | 3,733 |
| Others | 5,248,697 | 5,760,169 | 177,783 |
| | $ 19,194,818 | $ 21,522,034 | $ 664,260 |

## 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 Group 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$16,645 thousand, NT$2,302 thousand and NT$6,872 thousand (US$212 thousand) for the years ended December 31, 2014, 2015 and 2016, respectively. Pension payments were NT$25,315 thousand, NT$2,549 thousand and NT$0 thousand (US$0 thousand) for the years ended December 31, 2014, 2015 and 2016, respectively. As of December 31, 2015 and 2016, accrued pension liabilities for executive managers were NT$199,595 thousand and NT$206,467 thousand (US$6,372 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Present value of the defined benefit obligation | $ 7,973,676 | $ 8,389,884 | $ 258,947 |
| Fair value of plan assets | (3,973,729) | (4,417,367) | (136,338) |
| Present value of unfunded defined benefit obligation | 3,999,947 | 3,972,517 | 122,609 |
| Recorded under others payables | (138,959) | (22,273) | (688) |
| Recorded under prepaid pension cost | 11,910 | 15,542 | 480 |
| Net defined benefit liability | $ 3,872,898 | $ 3,965,786 | $ 122,401 |

   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, 2014 | $ 7,472,145 | $(3,118,804) | $ 4,353,341 |

(Continued)

| | Present value of the defined benefit obligation | Fair value of the plan assets | Net defined benefit liability (asset) |
|---|---|---|---|
| | NT$ | NT$ | NT$ |
| Service cost | | | |
| Current service cost | $ 327,707 | $ - | $ 327,707 |
| Past service cost | 22,036 | - | 22,036 |
| Net interest expense (income) | 189,043 | (109,636) | 79,407 |
| Recognized in profit or loss | 538,786 | (109,636) | 429,150 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 29,338 | 29,338 |
| Actuarial gain arising from changes in financial assumptions | (46,913) | - | (46,913) |
| Actuarial loss arising from experience adjustments | 38,516 | - | 38,516 |
| Actuarial loss arising from changes in demographic assumptions | 7,204 | - | 7,204 |
| Recognized in other comprehensive income | (1,193) | 29,338 | 28,145 |
| Contributions from the employer | - | (556,555) | (556,555) |
| Benefits paid from the pension fund | (292,996) | 292,996 | - |
| Benefits paid from the Group | (16,237) | - | (16,237) |
| Exchange differences on foreign plans | (26,212) | (39,826) | (66,038) |
| Balance at December 31, 2014 | 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 | 519,544 | (108,356) | 411,188 |
| 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 | (15,847) | - | (15,847) |
| Recognized in other comprehensive income | 50,485 | 12,426 | 62,911 |

(Continued)

| | Present value of the defined benefit obligation | Fair value of the plan assets | Net defined benefit liability (asset) |
|---|---|---|---|
| | NT$ | NT$ | NT$ |
| 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 | (34,630) | 43,341 | 8,711 |
| Balance at December 31, 2015 | 7,973,676 | (3,973,729) | 3,999,947 |
| Service cost | | | |
| Current service cost | 329,838 | - | 329,838 |
| Net interest expense (income) | 167,111 | (109,080) | 58,031 |
| Recognized in profit or loss | 496,949 | (109,080) | 387,869 |
| 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 loss arising from experience adjustments | 200,723 | - | 200,723 |
| Actuarial loss arising from changes in demographic assumptions | 5,716 | - | 5,716 |
| Recognized in other comprehensive income | 362,632 | 54,549 | 417,181 |
| 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 | (99,404) | 110,189 | 10,785 |
| Balance at December 31, 2016 | $ 8,389,884 | $(4,417,367) | $ 3,972,517 |

(Concluded)

| | Present value of the defined benefit obligation | Fair value of the plan assets | Net defined benefit liability (asset) |
|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| Balance at January 1, 2016 | $ 246,101 | $ (122,646) | $ 123,455 |

(Continued)

| | Present value of the defined benefit obligation | Fair value of the plan assets | Net defined benefit liability (asset) |
|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| Service cost | | | |
| Current service cost | $ 10,180 | $ - | $ 10,180 |
| Net interest expense (income) | 5,158 | (3,367) | 1,791 |
| Recognized in profit or loss | 15,338 | (3,367) | 11,971 |
| Remeasurevment | | | |
| Return on plan assets (excluding amounts included in net interest) | $ - | $ 1,684 | $ 1,684 |
| Actuarial loss arising from changes in financial assumptions | 4,821 | - | 4,821 |
| Actuarial loss arising from experience adjustments | 6,195 | - | 6,195 |
| Actuarial loss arising from changes in demographic assumptions | 176 | - | 176 |
| Recognized in other comprehensive income | 11,192 | 1,684 | 12,876 |
| Contributions from the employer | - | (24,914) | (24,914) |
| Benefits paid from the pension fund | (9,521) | 9,521 | - |
| Benefits paid from the Group | (1,112) | - | (1,112) |
| Liabilities assumed in a business combination | 17 | (17) | - |
| Exchange differences on foreign plans | (3,068) | 3,401 | 333 |
| Balance at December 31, 2016 | $ 258,947 | $ (136,338) | $ 122,609 |

(Concluded)

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

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Cash | $ 2,090,399 | $ 2,232,367 | $ 68,900 |
| Debt instruments | 823,496 | 1,030,384 | 31,802 |
| Equity instruments | 1,020,532 | 1,071,777 | 33,079 |
| Others | 39,302 | 82,839 | 2,557 |
| Total | $ 3,973,729 | $ 4,417,367 | $ 136,338 |

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. The 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:

| | **December 31** | |
|---|---|---|
| | **2015** | **2016** |
| Discount rates | 0.15%-3.48% | 0.06%-3.58% |
| Expected rates of salary increase | 2.00%-4.57% | 2.00%-4.42% |

Significant actuarial assumptions for the determination of the defined obligation excluding those for executive managers 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.

| | **December 31** | | |
|---|---|---|---|
| | **2015** | **2016** | |
| | **NT$** | **NT$** | **US$ (Note 4)** |
| Discount Rate | | | |
| 0.5% higher | $ (444,132) | $ (464,647) | $ (14,341) |
| 0.5% lower | $ 497,046 | $ 508,862 | $ 15,706 |
| Expected rates of salary increase | | | |
| 0.5% higher | $ 476,378 | $ 500,051 | $ 15,434 |
| 0.5% lower | $ (426,130) | $ (452,956) | $ (13,980) |

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| No later than 1 year | $ 247,030 | $ 292,100 | $ 9,015 |
| Later than 1 year and not later than 5 years | 1,616,804 | 1,673,549 | 51,653 |
| Later than 5 years | 17,674,518 | 17,129,585 | 528,691 |
| | $ 19,538,352 | $ 19,095,234 | $ 589,359 |

The Group expected to make contributions of NT$705,384 thousand and NT$521,324 thousand (US$16,090 thousand) to the defined benefit plans excluding those for executive managers in the next year starting from January 1, 2016 and 2017, respectively.

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

## 22. EQUITY

a. Share capital

Ordinary shares

| | December 31, 2015 | December 31, 2016 |
|---|---|---|
| Numbers of shares authorized (in thousands) | 10,000,000 | 10,000,000 |
| Numbers of shares reserved (in thousands) | | |
| Employee share options | 800,000 | 800,000 |
| Numbers of shares registered (in thousands) | 7,902,929 | 7,936,473 |
| Numbers of shares subscribed in advance (in thousands) | 7,499 | 9,711 |
| Number of shares issued and fully paid (in thousands) | 7,910,428 | 7,946,184 |

| | December 31, 2015 | December 31, 2016 | |
|---|---|---|---|
| | NT$ | NT$ | US$ (Note 4) |
| Share capital authorized | $ 100,000,000 | $ 100,000,000 | $ 3,086,420 |
| Share capital reserved | | | |
| Employee share options | $ 8,000,000 | $ 8,000,000 | $ 246,914 |
| Share capital registered | $ 79,029,290 | $ 79,364,735 | $ 2,449,529 |
| Share capital subscribed in advance | 156,370 | 203,305 | 6,275 |
| Share capital issued | $ 79,185,660 | $ 79,568,040 | $ 2,455,804 |

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, 2015 and 2016, 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 issuance of 300,000 thousand ordinary shares for cash capital increase at NT$34.3 (US$1.06) per share. As of the date the consolidated financial statements were authorized for issue by the management, the aforementioned cash capital increase and the registration fomalities has completed.

American Depositary Receipts

The Company issued ADSs and each ADS represents five ordinary shares. As of December 31, 2015 and 2016, 115,240 thousand and 125,518 thousand ADSs were outstanding and represented approximately 576,198 thousand and 627,590 thousand ordinary shares of the Company, respectively.

b. Capital surplus

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) | | | |
| Issuance of ordinary shares | $ 5,479,616 | $ 5,844,397 | $ 180,383 |
| The difference between consideration received and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 28) | 7,197,510 | 7,176,958 | 221,511 |
| May be used to offset a deficit only | | | |
| Changes in percentage of ownership interest in subsidiaries (2) | 8,491,435 | 6,134,228 | 189,328 |
| Treasury share transactions | 717,355 | 950,368 | 29,332 |
| Exercised employee share options | 544,112 | 630,411 | 19,457 |
| Expired employee share options | 3,626 | 3,626 | 112 |
| Share of changes in capital surplus of associates | 30,284 | 82,243 | 2,538 |
| May not be used for any purpose | | | |
| Employee share options | 1,080,590 | 1,230,247 | 37,971 |
| Equity component of convertible bonds | 214,022 | 214,022 | 6,606 |
| | $ 23,758,550 | $ 22,266,500 | $ 687,238 |

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 of the ROC 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 2016 annual shareholders' meeting. 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(f).

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 share capital. 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 share capital, 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.

Expect 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 2014 and 2015 resolved at the Company's annual shareholders' meetings in June 2015 and June 2016, respectively, were as follows:

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

d. Other equity

1) Exchange differences on translating foreign operations

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Balance at January 1 | $ (525,521) | $ 4,540,862 | $ 4,492,671 | $ 138,663 |
| Exchange differences arising on translating foreign operations | 5,064,616 | 11,459 | (5,843,856) | (180,366) |
| Share of exchange difference of associates and joint venture accounted for using the equity method | 1,767 | (59,650) | (292,438) | (9,026) |
| Balance at December 31 | $ 4,540,862 | $ 4,492,671 | $ (1,643,623) | $ (50,729) |

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

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Balance at January 1 | $ 426,246 | $ 526,778 | $ 588,119 | $ 18,153 |
| Unrealized loss arising on revaluation of available-for-sale financial assets | (142,418) | (4,304) | (257,240) | (7,940) |
| Cumulative loss reclassified to profit or loss on disposal of available-for-sale financial assets | 9,561 | 10,827 | 7,512 | 232 |
| Share of unrealized gain (loss) on available-for-sale financial assets of associates and joint venture accounted for using the equity method | 233,389 | 54,818 | (579,241) | (17,879) |
| Balance at December 31 | $ 526,778 | $ 588,119 | $ (240,850) | $ (7,434) |

3) Cash flow hedges - for the year ended December 31, 2014 only

| | NT$ |
|---|---|
| Balance at January 1 | $ (3,279) |
| Gain arising on changes in the fair value of hedging instruments - Interest rate swap contracts | 795 |
| Cumulative loss arising on changes in fair value of hedging instruments reclassified to profit or loss – Interest rate swap contracts | 2,484 |
| Balance at December 31 | $ - |

e. Treasury shares (in thousand shares)

| | Balance at January 1 | Addition | Decrease | Balance at December 31 |
|---|---|---|---|---|
| **2014** | | | | |
| Shares held by subsidiaries | 145,883 | - | - | 145,883 |
| **2015** | | | | |
| Shares held by subsidiaries | 145,883 | - | - | 145,883 |
| Shares reserved for bonds conversion | - | 120,000 | - | 120,000 |
| | 145,883 | 120,000 | - | 265,883 |
| **2016** | | | | |
| Shares held by subsidiaries | 145,883 | - | - | 145,883 |
| Shares reserved for bonds conversion | 120,000 | - | - | 120,000 |
| | 265,883 | - | - | 265,883 |

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 (in thousand shares) | Carrying amount NT$ | Carrying amount US$ (Note 4) | Fair Value NT$ | Fair Value US$ (Note 4) |
|---|---|---|---|---|---|
| December 31, 2015 | | | | | |
| ASE Test | 88,200 | $ 1,380,721 | | $ 3,351,618 | |
| J&R Holding | 46,704 | 381,709 | | 1,774,743 | |
| ASE Test, Inc. | 10,979 | 196,677 | | 417,193 | |
| | 145,883 | $ 1,959,107 | | $ 5,543,554 | |
| December 31, 2016 | | | | | |
| ASE Test | 88,200 | $ 1,380,721 | $ 42,615 | $ 2,915,026 | $ 89,970 |
| J&R Holding | 46,704 | 381,709 | 11,781 | 1,543,559 | 47,641 |
| ASE Test, Inc. | 10,979 | 196,677 | 6,070 | 362,849 | 11,199 |
| | 145,883 | $ 1,959,107 | $ 60,466 | $ 4,821,434 | $ 148,810 |

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

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Balance at January 1 | $ 4,128,361 | $ 8,209,860 | $ 11,492,545 | $ 354,708 |
| Attributable to non-controlling interests: | | | | |
| Share of profit for the year | 640,499 | 968,567 | 1,272,691 | 39,280 |
| Exchange difference on translating foreign operations | 340,392 | (74,968) | (601,787) | (18,574) |
| Unrealized gain (loss) on available-for-sale financial assets | (857) | 3,928 | 1,129 | 35 |
| Defined benefit plan actuarial gains (losses) | (857) | (3,440) | 8,846 | 273 |

(Continued)

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Cash capital increase of subsidiary (Note 28) | $ 3,067,712 | $ - | $ 7,021 | $ 217 |
| Additional non-controlling interests arising from partial disposal of subsidiaries (Note 28) | - | 1,712,836 | 26,436 | 816 |
| Repurchase of outstanding ordinary shares of subsidiaries (Note 28) | - | - | (912,886) | (28,175) |
| Spin-off of subsidiaries | - | 3,006 | - | - |
| Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries | 120,376 | 904,904 | 927,823 | 28,636 |
| Cash dividends to non-controlling interests | (85,766) | (232,148) | (237,850) | (7,341) |
| Balance at December 31 | $ 8,209,860 | $ 11,492,545 | $ 11,983,968 | $ 369,875 |

(Concluded)

## 23. PROFIT BEFORE INCOME TAX

a. Other operating income and expenses, net

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Rental income | $ 59,624 | $ 60,230 | $ 51,607 | $ 1,593 |
| Loss on disposal of property, plant and equipment and other assets | (45,509) | (127,111) | (127,159) | (3,925) |
| Impairment loss on property, plant and equipment | (297,754) | (258,129) | (888,231) | (27,415) |
| Loss on damages and claims | (102,101) | (116,445) | (12,778) | (394) |
| Others | 614,355 | 189,926 | 176,281 | 5,441 |
| | $ 228,615 | $ (251,529) | $ (800,280) | $ (24,700) |

b. Other income

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Government subsidy | $ 184,525 | $ 176,721 | $ 332,758 | $ 10,270 |
| Interest income | 243,474 | 242,084 | 230,067 | 7,101 |
| Dividends income | 101,252 | 396,973 | 26,411 | 815 |
| | $ 529,251 | $ 815,778 | $ 589,236 | $ 18,186 |

c. Other gains and losses

| | For the Years Ended December 31 | | | |
| --- | --- | --- | --- | --- |
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Net gain arising on financial instruments held for trading | $ 1,266,653 | $ 1,657,093 | $ 224,446 | $ 6,927 |
| Net gain on financial assets designated as at FVTPL | 572,187 | 815,742 | 223,113 | 6,886 |
| Foreign exchange gain or loss, net | (1,221,979) | (713,213) | 1,928,384 | 59,518 |
| Impairment loss on financial assets (Note 32) | (10,390) | - | (91,886) | (2,836) |
| Others | 828 | (10,827) | (7,513) | (231) |
| | $ 607,299 | $ 1,748,795 | $ 2,276,544 | $ 70,264 |

d. Finance costs

| | For the Years Ended December 31 | | | |
| --- | --- | --- | --- | --- |
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Total interest expense for financial liabilities measured at amortized cost | $ 2,548,850 | $ 2,514,208 | $ 2,510,197 | $ 77,475 |
| Less: Amounts included in the cost of qualifying assets | | | | |
| Inventories related to real estate business | (100,705) | (197,287) | (238,469) | (7,360) |
| Property, plant and equipment | (126,203) | (48,135) | (54,191) | (1,673) |
| | 2,321,942 | 2,268,786 | 2,217,537 | 68,442 |
| Loss arising on derivatives as designated hedging instruments in cash flow hedge accounting relationship reclassified from equity to profit or loss | 2,484 | - | - | - |
| Other finance costs | 29,671 | 43,357 | 43,538 | 1,344 |
| | $ 2,354,097 | $ 2,312,143 | $ 2,261,075 | $ 69,786 |

Information relating to the capitalized borrowing costs was as follows:

| | For the Years Ended December 31 | | |
| --- | --- | --- | --- |
| | 2014 | 2015 | 2016 |
| Annual interest capitalization rates | | | |
| Inventories related to real estate business | 6.00%-7.21% | 4.35%-6.77% | 4.35%-6.00% |
| Property, plant and equipment | 0.88%-6.15% | 0.75%-6.15% | 1.15%-4.42% |

e. Depreciation and amortization

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Property, plant and equipment | $25,805,042 | $28,938,770 | $28,961,614 | $ 893,877 |
| Intangible assets | 545,734 | 579,894 | 460,690 | 14,219 |
| Total | $26,350,776 | $29,518,664 | $29,422,304 | $ 908,096 |
| Summary of depreciation by function | | | | |
| Operating costs | $24,050,546 | $27,023,957 | $26,948,106 | $ 831,732 |
| Operating expenses | 1,754,496 | 1,914,813 | 2,013,508 | 62,145 |
| | $25,805,042 | $28,938,770 | $28,961,614 | $ 893,877 |
| Summary of amortization by function | | | | |
| Operating costs | $ 180,719 | $ 124,235 | $ 145,953 | $ 4,505 |
| Operating expenses | 365,015 | 455,659 | 314,737 | 9,714 |
| | $ 545,734 | $ 579,894 | $ 460,690 | $ 14,219 |

f. Employee benefits expense

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Post-employment benefits (Note 21) | | | | |
| Defined contribution plans | $ 1,926,683 | $ 2,324,737 | $ 2,356,416 | $ 72,729 |
| Defined benefit plans | 445,795 | 413,490 | 394,741 | 12,183 |
| | 2,372,478 | 2,738,227 | 2,751,157 | 84,912 |
| Equity-settled share-based payments | 110,157 | 133,496 | 470,788 | 14,530 |
| Salary, incentives and bonus | 40,475,594 | 41,985,329 | 43,491,243 | 1,342,322 |
| Other employee benefits | 5,646,896 | 5,898,135 | 6,034,697 | 186,256 |
| | $ 48,605,125 | $ 50,755,187 | $ 52,747,885 | $ 1,628,020 |
| Summary of employee benefits expense by function | | | | |
| Operating costs | $ 33,243,224 | $ 34,720,359 | $ 35,588,529 | $ 1,098,411 |
| Operating expenses | 15,361,901 | 16,034,828 | 17,159,356 | 529,610 |
| | $48,605,125 | $ 50,755,187 | $ 52,747,885 | $ 1,628,021 |

For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were stipulated by the former Articles of Incorporation at the rates in 7%-11% and no higher than 1% from net income (net of the bonus and remuneration), respectively. 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, the employees' compensation and remuneration to directors is accrued 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. A portion of other employee benefits for the years ended December 31, 2014 and 2015 has been reclassified to defined contribution plans to conform to the presentation of the year ended December 31, 2016.

For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were accrued based on 11% and 1%, respectively, of the net income (net of the bonus and remuneration). For the years ended December 31, 2015 and 2016, 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. The information was as follows.

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Bonus to employees | $ 2,335,786 | | | |
| Remuneration to directors and supervisors | 212,344 | | | |
| Employees' compensation | | $ 2,033,500 | $ 2,147,323 | $ 66,275 |
| Remuneration to directors | | 184,500 | 195,211 | 6,025 |

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.

On March 30, 2017, the Company's board of directors approved the employees' compensation and remuneration to directors in the amounts of NT$2,151,900 thousand (US$66,417 thousand) and NT$148,000 thousand (US$4,568 thousand) in cash, respectively. The difference between the actual amounts of employees' compensation and remuneration to directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 was NT$ 42,634 thousand (US$1,315 thousand) which was not material to the consolidated financial statements as of and for the year ended December 31,2016 and was charged against profit and loss in March 2017.

The appropriations of bonus to employees and remuneration to directors and supervisors for 2014 were approved in the shareholders' meeting in June 2015, and the appropriations of employees' compensation and remuneration to directors for 2015 were resolved by the board of directors in April 2016. The amounts of the bonus to employees/employees' compensation and the 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.

| | For Year 2014 | For Year 2015 |
|---|---|---|
| | NT$ | NT$ |
| Bonus to employees / employees' compensation | $ 2,335,600 | $ 2,033,800 |
| Remuneration to directors and supervisors / directors | 211,200 | 140,000 |

The differences between 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 and 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 were deemed changes in estimates. The difference was NT$1,330 thousand and NT$44,200 thousand (US$1,364 thousand) and had been adjusted in earnings for the years ended December 31, 2015 and 2016, respectively.

## 24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Current income tax | | | | |
| In respect of the current year | $ 3,524,456 | $ 4,029,076 | $ 4,177,900 | $ 128,948 |
| Income tax on unappropriated earnings | 1,281,877 | 187,654 | 829,345 | 25,597 |
| Changes in estimate for prior years | 72,380 | (20,719) | 28,160 | 869 |
| | 4,878,713 | 4,196,011 | 5,035,405 | 155,414 |
| Deferred income tax | | | | |
| In respect of the current year | 714,850 | 190,829 | 574,541 | 17,732 |
| Adjustments attributable to changes in tax rates | - | 3,794 | 14,184 | 438 |
| Effect of foreign currency exchange differences | 75,305 | (58,671) | (26,498) | (818) |
| Changes in estimate for prior years | (2,914) | (20,890) | (206,788) | (6,382) |
| | 787,241 | 115,062 | 355,439 | 10,970 |
| Income tax expense recognized in profit or loss | $ 5,665,954 | $ 4,311,073 | $ 5,390,844 | $ 166,384 |

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 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Profit before income tax | $ 28,535,055 | $ 25,011,788 | $ 28,025,141 | $ 864,974 |
| Income tax expense calculated at the statutory rates | $ 5,101,984 | $ 6,307,148 | $ 8,643,781 | $ 266,783 |
| Nontaxable expense (income) in determining taxable income | 128,644 | 160,530 | (44,548) | (1,375) |
| Tax-exempt income | (623,652) | (537,987) | (700,274) | (21,613) |
| Additional income tax on unappropriated earnings | 1,887,845 | 338,142 | 829,345 | 25,597 |
| Loss carry-forward and income tax credits currently used | (1,329,753) | (1,286,705) | (898,700) | (27,738) |
| Remeasurement of deferred income tax assets, net | 386,833 | (688,584) | (2,797,673) | (86,348) |
| Changes in estimate for prior years | 72,380 | (20,719) | 28,160 | 869 |
| Withholding tax | 48,310 | 39,248 | 81,543 | 2,517 |
| Land value increment tax | (6,637) | - | 249,210 | 7,692 |
| Income tax expense recognized in profit or loss | $ 5,665,954 | $ 4,311,073 | $ 5,390,844 | $ 166,384 |

For the years ended December 31, 2014, 2015 and 2016, 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.

b. Income tax recognized directly in equity

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Deferred income tax | | | | |
| Related to employee share options | $ 4,481 | $ (33) | $ (204) | $ (6) |

c. Income tax recognized in other comprehensive income

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Deferred income tax | | | | |
| Related to remeasurement of defined benefit plans | $ 23,885 | $ 11,002 | $ 73,637 | $ 2,273 |

d. Current tax assets and liabilities

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Current tax assets | | | |
| Tax refund receivable | $ 10,984 | $ 260,559 | $ 8,042 |
| Prepaid income tax | 157,733 | 211,193 | 6,518 |
| | $ 168,717 | $ 471,752 | $ 14,560 |
| Current tax liabilities | | | |
| Income tax payable | $ 6,746,022 | $ 6,846,350 | $ 211,307 |

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$ |
| Year ended December 31, 2014 | | | | | | | |
| Temporary differences | | | | | | | |
| Property, plant and equipment | $ (1,684,616) | $(804,082) | $ - | $ - | $ 56,843 | $ - | $ (2,431,855) |
| Defined benefit obligation | 854,540 | (59,807) | 23,885 | - | (21,976) | - | 796,642 |
| FVTPL financial instruments | (12,329) | (170,722) | - | - | 12,992 | - | (170,059) |
| Others | 767,744 | 372,563 | - | 4,481 | 21,509 | - | 1,166,297 |
| | (74,661) | (662,048) | 23,885 | 4,481 | 69,368 | - | (638,975) |

(Continued)

| | 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$ |
| Loss carry-forward | $ 270,031 | $ 246,334 | $ - | $ - | $ 3,533 | $ - | $ 519,898 |
| Investment credits | 825,565 | (370,674) | - | - | (2,560) | - | 452,331 |
| Others | - | (853) | - | - | - | - | (853) |
| | $ 1,020,935 | $ (787,241) | $ 23,885 | $ 4,481 | $ 70,341 | $ - | $ 332,401 |
| Year ended December 31, 2015 | | | | | | | |
| 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 | 1,166,297 | 229,799 | - | (33) | (11,076) | - | 1,384,987 |
| | (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 | 452,331 | (32,904) | - | - | (68,308) | - | 351,119 |
| Others | (853) | 853 | - | - | - | - | - |
| | $ 332,401 | $ (115,062) | $ 11,002 | $ (33) | $ (59,342) | $ - | $ 168,966 |
| Year ended December 31, 2016 | | | | | | | |
| 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 | 1,384,987 | (283,179) | - | (204) | (21,780) | - | 1,079,824 |
| | (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 | 351,119 | 56,862 | - | - | (25,245) | - | 382,736 |
| | $ 168,966 | $ (355,439) | $ 73,637 | $ (204) | $ (209,524) | $ 2,939 | $ (319,625) |

| | 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 |
|---|---|---|---|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| Year ended December 31, 2016 | | | | | | | |
| Temporary differences | | | | | | | |
| Property, plant and equipment | $ (108,162) | $ (5,626) | $ - | $ - | $ (2,225) | $ - | $ (116,013) |
| Defined benefit obligation | 26,109 | (1,500) | 2,273 | - | 77 | - | 26,959 |
| FVTPL financial instruments | (7,167) | 6,566 | - | - | (59) | - | (660) |
| Others | 42,747 | (8,740) | - | (6) | (672) | - | 33,329 |
| | (46,473) | (9,300) | 2,273 | (6) | (2,879) | - | (56,385) |
| Loss carry-forward | 40,851 | (3,425) | - | - | (2,809) | 91 | 34,708 |
| Investment credits | 10,837 | 1,755 | - | - | (779) | - | 11,813 |
| | $ 5,215 | $ (10,970) | $ 2,273 | $ (6) | $ (6,467) | $ 91 | $ (9,864) |

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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Loss carry-forward | $ 666,373 | $ 652,593 | $ 20,142 |
| Investment credits | 387,480 | 280,068 | 8,644 |
| Deductible temporary differences | 1,007,105 | 904,441 | 27,915 |
| | $ 2,060,958 | $ 1,837,102 | $ 56,701 |

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$ | US$ (Note 4) |
|---|---|---|
| 2017 | $ 241,278 | $ 7,447 |
| 2018 | 255,577 | 7,888 |
| 2019 | 291,521 | 8,998 |
| 2020 | 766,478 | 23,657 |
| 2021 and thereafter | 222,279 | 6,860 |
| | $1,777,133 | $ 54,850 |

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

| Tax Credit Source | Remaining Creditable Amount NT$ | Remaining Creditable Amount US$ (Note 4) | Expiry Year |
|---|---|---|---|
| Purchase of machinery and equipment | $ 647,923 | $ 19,998 | 2018 |
| Others | 14,881 | 459 | 2017 |
| | $ 662,804 | $ 20,457 | |

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 |
| 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 |

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, 2015 and 2016, the taxable temporary differences associated with the investments in subsidiaries for which no deferred tax liabilities have been recognized were NT$12,676,347 thousand and NT$14,417,873 thousand (US$444,996 thousand), respectively.

i. Integrated income tax

As of December 31, 2015 and 2016, unappropriated earnings were all generated on and after January 1, 1998. As of December 31, 2015 and 2016, the balance of the Imputation Credit Account was NT$1,913,243 thousand and NT$3,328,374 thousand (US$102,728 thousand), respectively.

The creditable ratio for the distribution of earnings of 2015 and 2016 was 9.65% (actual) and 9.31% (estimated), 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 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Profit for the year attributable to owners of the Company | $ 22,228,602 | $ 19,732,148 | $ 21,361,606 | $ 659,309 |
| Effect of potentially dilutive ordinary shares: | | | | |
| Diluted impact from subsidiaries and investments in associates | (260,925) | (210,126) | (868,747) | (26,813) |
| Convertible bonds | 931,344 | 901,187 | (1,165,506) | (35,973) |
| Earnings used in the computation of diluted earnings per share | $ 22,899,021 | $ 20,423,209 | $ 19,327,353 | $ 596,523 |

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

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 7,687,930 | 7,652,773 | 7,662,870 |
| Effect of potentially dilutive ordinary shares: | | | |
| Convertible bonds | 375,271 | 455,671 | 515,295 |
| Employee share options | 101,850 | 86,994 | 59,218 |
| Bonus to employees or employees' compensation | 55,643 | 54,626 | 46,746 |
| Weighted average number of ordinary shares in computation of diluted earnings per share | 8,220,694 | 8,250,064 | 8,284,129 |

For purposes of the ADS calculation, the denominator represents the above-mentioned weighted average outstanding shares divided by five (one ADS represents five ordinary shares). The numerator was the same.

The Group is able to settle the bonus to employees and employees' compensation by 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. had 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. 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (NT$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (NT$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (NT$) |
| Balance at January 1 | 285,480 | $20.5 | 209,745 | $20.7 | 252,607 | $26.6 |
| Options granted | - | - | 94,270 | 36.5 | - | - |
| Options forfeited | (1,515) | 20.5 | (1,975) | 30.3 | (6,056) | 34.6 |
| Options expired | (322) | 13.5 | (730) | 11.1 | - | - |
| Options exercised | (73,898) | 19.7 | (48,703) | 20.6 | (35,756) | 20.9 |
| Balance at December 31 | 209,745 | 20.7 | 252,607 | 26.6 | 210,795 | 27.3 |
| Options exercisable, end of year | 189,240 | 20.7 | 158,103 | 20.8 | 123,007 | 20.8 |
| Weighted-average fair value of options granted (NT$) | $ - | | $7.18~7.39 | | $ - | |

The weighted average share price at exercise dates of share options for the years ended December 31, 2014, 2015 and 2016 was NT$35.1, NT$38.8 and NT$36.2 (US$1.12) , 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, 2015 | $ 20.4-22.6 | 3.5 |
| | 36.5 | 9.7 |
| December 31, 2016 | 20.4-22.6 | 2.5 |
| | 36.5 | 8.7 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | Number of Options (In Thousands) | Exercise Price Per Share (US$) | Number of Options (In Thousands) | Exercise Price Per Share (US$) | Number of Options (In Thousands) | Exercise Price Per Share (US$) |
| Balance at January 1 | 28,545 | $1.7 | 28,545 | $1.7 | 28,470 | $1.7 |
| Options forfeited | - | - | (75) | 1.7 | - | - |
| Balance at December 31 | 28,545 | 1.7 | 28,470 | 1.7 | 28,470 | 1.7 |
| Options exercisable, end of year | 28,545 | 1.7 | 28,470 | 1.7 | 28,470 | 1.7 |

As of December 31, 2015 and 2016, the share options were all vested and the remaining contractual life was 2 years and 1 year, 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) |
| Balance at January 1 | 34,939 | $2.1 | 34,159 | $2.1 | 29,695 | $2.1 |
| Options forfeited | - | - | (84) | 2.8 | - | - |
| Options exercised | (780) | 1.5 | (4,380) | 1.9 | (3,762) | 2.0 |

(Continued)

| | For the Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) | Number of Options (In Thousands) | Weighted Average Exercise Price Per Share (US$) |
| Balance at December 31 | 34,159 | 2.1 | 29,695 | 2.1 | 25,933 | 2.2 |
| Options exercisable, end of year | 30,874 | 2.0 | 28,106 | 2.1 | 25,933 | 2.2 |

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, 2015 | $ 1.5 | 5.0 |
| | 2.4-2.9 | 4.9 |
| December 31, 2016 | 1.5 | 4.0 |
| | 2.4-2.9 | 3.9 |

In 2015 and 2016, the Group's shareholdings of USIE decreased due to USIE's share options 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$564,344 thousand and NT$444,320 thousand (US$13,714 thousand) in 2015 and 2016, 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 | | | |
|---|---|---|---|---|
| | 2015 | | 2016 | |
| | 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 | (13) | 15.5 | (1,630) | 15.5 |
| Balance at December 31 | 26,627 | 15.5 | 24,997 | 15.5 |
| Options exercisable, end of year | - | - | - | - |
| Weighted-average fair value of options granted (CNY) | $5.95~7.14 | | $ - | |

As of December 31, 2015 and 2016, the remaining contractual life of the share options was 9.9 years and 8.9 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 2014 and 2015, USIE had modified the terms of its option plan granted in 2007 to extend the valid period from 11 years to 12 years and from 12 years to 13 years, respectively. The incremental fair value of NT$10,378 thousand and NT$13,721 thousand were all recognized as employee benefits expense in 2014 and 2015, respectively, since the options were all vested.

Employee benefits expense recognized on employee share options was NT$110,157 thousand, NT$133,496 thousand and NT$470,788 thousand (US$14,530 thousand) for the years ended December 31, 2014, 2015 and 2016, respectively.

## 27. BUSINESS COMBINATIONS

a. Subsidiary 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% | $ 89,998 |

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$ | US$ (Note 4) |
|---|---|---|
| Current assets | $ 16,645 | $ 514 |
| Non-current assets | 4,081 | 126 |
| Current liabilities | (7,599) | (234) |
| | 13,127 | 406 |
| Non-controlling interests | (7,021) | (217) |
| Goodwill | 83,892 | 2,589 |
| Total consideration | 89,998 | 2,778 |
| Less: Cash and cash equivalent acquired | (16,561) | (511) |
| | $ 73,437 | $ 2,267 |

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 (US$1,288 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 November 2014, USISH completed its cash capital increase of CNY2,017,690 thousand and the Group's shareholdings of USISH decreased from 88.6% to 82.1% since the Group did not subscribe for additional new shares.

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 (US$24,446 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 (US$634 thousand).

## 29. NON-CASH TRANSACTIONS

For the years ended December 31, 2014, 2015 and 2016, 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 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Payments for property, plant and equipment | | | | |
| Purchase of property, plant and equipment | $ 43,448,587 | $ 28,280,821 | $ 27,680,862 | $ 854,348 |
| Decrease in prepayments for property, plant and equipment (recorded under the line item of other non-current assets) | (34,894) | (267,334) | (89,337) | (2,757) |
| (Increase) decrease in payables for property, plant and equipment | (3,688,526) | 2,314,772 | (823,171) | (25,407) |
| Capitalized borrowing costs | (126,203) | (48,135) | (54,191) | (1,673) |
| | $ 39,598,964 | $ 30,280,124 | $ 26,714,163 | $ 824,511 |
| Proceeds from disposal of property, plant and equipment | | | | |
| Consideration from disposal of property, plant and equipment | $ 462,438 | $ 201,766 | $ 692,826 | $ 21,383 |
| (Increase) decrease in other receivables | (41,231) | 41,265 | (22,626) | (698) |
| | $ 421,207 | $ 243,031 | $ 670,200 | $ 20,685 |
| Payments for other intangible assets | | | | |
| Purchase for other intangible assets | $ 396,466 | $ 491,135 | $ 675,144 | $ 20,838 |
| Increase in other payables | - | - | (120,938) | (3,733) |
| Increase in other liabilities | - | - | (40,313) | (1,244) |
| | $ 396,466 | $ 491,135 | $ 513,893 | $ 15,861 |

## 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$1,459,835 thousand, NT$1,390,821 thousand and NT$ 1,411,533 thousand (US$43,566 thousand) for the years ended December 31, 2014, 2015 and 2016, 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, 2015 and 2016, respectively, were as follows:

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | **NT$** | **US$ (Note 4)** | **NT$** | **US$ (Note 4)** |
| December 31, 2015 | $ 38,426,250 | | $ 38,465,355 | |
| December 31, 2016 | 36,999,903 | $ 1,141,972 | 37,300,356 | $ 1,151,246 |

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | **NT$** | **NT$** | **NT$** | **NT$** |
| December 31, 2015 | | | | |
| 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)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | 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 | 37,058 | - | - | 37,058 |
| | $ 610,300 | $ 3,223,401 | $ - | $ 3,833,701 |
| 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 | 16,037 | - | - | 16,037 |
| | $ 213,617 | $ - | $ 741,089 | $ 954,706 |
| 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 | - | 119 | - | 119 |
| | $ - | $ 3,005,726 | $ - | $ 3,005,726 |

(Concluded)

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) |
| December 31, 2016 | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | |
| Financial assets designated as at FVTPL | | | | | | | | |
| Private-placement convertible bonds | $ - | $ - | $ 100,583 | $ 3,104 | $ - | $ - | $ 100,583 | $ 3,104 |
| Derivative financial assets | | | | | | | | |
| Swap contracts | - | - | 462,339 | 14,270 | - | - | 462,339 | 14,270 |
| Forward exchange contracts | - | - | 66,872 | 2,064 | - | - | 66,872 | 2,064 |
| Non-derivative financial assets held for trading | | | | | | | | |
| Quoted shares | 1,855,073 | 57,255 | - | - | - | - | 1,855,073 | 57,255 |
| Open-end mutual funds | 584,945 | 18,054 | - | - | - | - | 584,945 | 18,054 |
| | $ 2,440,018 | $ 75,309 | $ 629,794 | $ 19,438 | $ - | $ - | $ 3,069,812 | $ 94,747 |
| Available-for-sale financial assets | | | | | | | | |
| Unquoted shares | $ - | $ - | $ - | $ - | $ 631,418 | $ 19,488 | $ 631,418 | $ 19,488 |
| Limited partnership | - | - | - | - | 273,372 | 8,437 | 273,372 | 8,437 |
| Open-end mutual funds | 243,458 | 7,514 | - | - | - | - | 243,458 | 7,514 |
| Quoted shares | 146,786 | 4,531 | - | - | - | - | 146,786 | 4,531 |
| | $ 390,244 | $ 12,045 | $ - | $ - | $ 904,790 | $ 27,925 | $ 1,295,034 | $ 39,970 |

(Continued)

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) | NT$ | US$ (Note 4) |
| Financial liabilities at FVTPL | | | | | | | | |
| Derivative financial liabilities | | | | | | | | |
| Conversion option, redemption option and put option of convertible bonds | $ - | $ - | $ 1,213,890 | $ 37,466 | $ - | $ - | $ 1,213,890 | $ 37,466 |
| Swap contracts | - | - | 422,934 | 13,054 | - | - | 422,934 | 13,054 |
| Forward exchange contracts | - | - | 108,912 | 3,361 | - | - | 108,912 | 3,361 |
| Foreign currency option contracts | - | - | 17,924 | 553 | - | - | 17,924 | 553 |
| | $ - | $ - | $ 1,763,660 | $ 54,434 | $ - | $ - | $ 1,763,660 | $ 54,434 |

(Concluded)

For the financial assets and liabilities that were measured at fair value on a recurring basis held for the years ended December 31, 2015 and 2016, 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, 2014, 2015 and 2016 were as follows:

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Balance at January 1 | $ 797,162 | $ 778,866 | $ 741,089 | $ 22,873 |
| Purchases | 38,793 | 2,010 | 495,928 | 15,306 |
| Total gain or loss | | | | |
| In profit or loss | (10,390) | (15,891) | (100,734) | (3,109) |
| In other comprehensive income | (25,687) | 21,195 | (202,565) | (6,252) |
| Disposals | (21,012) | (45,091) | (28,928) | (893) |
| Balance at December 31 | $ 778,866 | $ 741,089 | $ 904,790 | $ 27,925 |

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.

In 2014, the Group assessed the financial condition as well as future operating performance of its available-for-sale financial assets and then charged an impairment loss of NT$10,390 under the line item of other gains and losses in the consolidated statement of comprehensive income for the year ended December 31, 2014.

In 2016, 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 (US$2,778 thousand) under the line item of other gains and losses in the consolidated statements of comprehensive income for the year ended December 31, 2016.

c. Categories of financial instruments

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Financial assets | | | |
| FVTPL | | | |
| Designated as at FVTPL | $ 1,746,857 | $ 100,583 | $ 3,104 |
| Held for trading | 2,086,844 | 2,969,229 | 91,643 |
| Available-for-sale financial assets | 954,706 | 1,295,034 | 39,970 |
| Loans and receivables (Note 1) | 101,259,880 | 92,082,628 | 2,842,056 |
| Financial liabilities | | | |
| FVTPL | | | |
| Held for trading | 3,005,726 | 1,763,660 | 54,434 |
| Measured at amortized cost (Note 2) | 173,294,140 | 168,397,006 | 5,197,438 |

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$41,000 thousand, NT$18,000 thousand and NT$69,000 thousand (US$2,130 thousand) for the years ended December 31, 2014, 2015 and 2016, 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, 2014, 2015 and 2016, 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 | | |
| --- | --- | --- | --- |
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Fair value interest rate risk | | | |
| Financial liabilities | $ 18,030,482 | $ 30,243,887 | $ 933,453 |
| Cash flow interest rate risk | | | |
| Financial assets | 53,475,994 | 29,977,709 | 925,238 |
| Financial liabilities | 65,213,083 | 65,800,323 | 2,030,874 |

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, 2014, 2015 and 2016 would have decreased or increased approximately by NT$135,000 thousand, NT$117,000 thousand and NT$358,000 thousand (US$11,049 thousand), 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 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, 2014, 2015 and 2016, 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, 2014, 2015 and 2016 would have increased or decreased approximately by NT$6,800 thousand, NT$7,100 thousand and NT$26,000 thousand (US$802 thousand), respectively, and other comprehensive income before income tax for the years ended December 31, 2014, 2015 and 2016 would have increased or decreased approximately by NT$25,000 thousand, NT$10,000 thousand and NT$13,000 thousand (US$401 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, 2014, 2015 and 2016 would have decreased approximately by NT$651,000 thousand, NT$605,000 thousand and NT$510,000 thousand (US$15,741 thousand), respectively, or increased approximately by NT$608,000 thousand, NT$638,000 thousand and NT$445,000 thousand (US$13,735 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. 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 |
|---|---|---|---|---|---|
| | NT$ | NT$ | NT$ | NT$ | NT$ |
| December 31, 2015 | | | | | |
| 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 | 16,168,484 | 2,463,617 | 24,787,238 | 18,078,920 | - |
| | $ 42,178,940 | $ 27,766,772 | $ 41,863,066 | $ 57,283,300 | $ 969,619 |
| December 31, 2016 | | | | | |
| 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 | 5,360,644 | 1,019,221 | 10,549,983 | 28,553,095 | 2,062,500 |
| | $ 39,001,592 | $ 26,805,023 | $ 21,545,236 | $ 73,099,796 | $ 3,981,889 |

| | On Demand or Less than 1 Month | 1 to 3 Months | 3 Months to 1 Year | 1 to 5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| December 31, 2016 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | $ 737,877 | $ 634,364 | $ 134,578 | $ 1,305 | $ 5,893 |
| Floating interest rate liabilities | 300,424 | 161,494 | 204,782 | 1,373,593 | 53,347 |
| Fixed interest rate liabilities | 165,452 | 31,457 | 325,617 | 881,268 | 63,658 |
| | $ 1,203,753 | $ 827,315 | $ 664,977 | $ 2,256,166 | $ 122,898 |

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$ |
| December 31, 2015 | | | |
| Net settled | | | |
| Forward exchange contracts | $ (230) | $ 3,435 | $ - |
| Foreign currency option contracts | $ 2,054 | $ 8,735 | $ - |
| Gross settled | | | |
| Forward exchange contracts | | | |
| Inflows | $ 2,822,265 | $ 2,421,602 | $ - |
| Outflows | (2,836,080) | (2,429,050) | - |
| | (13,815) | (7,448) | - |
| Swap contracts | | | |
| Inflows | $ 16,561,521 | $ 22,476,799 | $ 36,796,825 |
| Outflows | (16,564,549) | (22,007,274) | (35,813,527) |
| | (3,028) | 469,525 | 983,298 |
| Interest rate swap contracts | | | |
| Inflows | 12,603 | 12,466 | 25,069 |
| Outflows | (11,595) | (11,469) | (23,063) |
| | 1,008 | 997 | 2,006 |
| | $ (15,835) | $ 463,074 | $ 985,304 |
| December 31, 2016 | | | |
| Net settled | | | |
| Forward exchange contracts | $ 22,680 | $ 13,320 | $ - |
| Foreign currency option contracts | $ (344) | $ - | $ - |
| Gross settled | | | |
| Forward exchange contracts | | | |
| Inflows | $ 5,134,196 | $ 912,213 | $ - |
| Outflows | (5,245,724) | (915,900) | - |
| | (111,528) | (3,687) | - |
| Swap contracts | | | |
| Inflows | 5,345,159 | 17,399,695 | 43,537,500 |
| Outflows | (5,439,190) | (17,540,927) | (42,882,201) |
| | (94,031) | (141,232) | 655,299 |
| | $ (205,559) | $ (144,919) | $ 655,299 |

| December 31, 2016 | On Demand or Less than 1 Month US$ (Note 4) | 1 to 3 Months US$ (Note 4) | 3 Months to 1 Year US$ (Note 4) |
|---|---|---|---|
| Net settled | | | |
| Forward exchange contracts | $ 700 | $ 411 | $ - |
| Foreign currency option contracts | $ (10) | $ - | $ - |
| Gross settled | | | |
| Forward exchange contracts | | | |
| Inflows | $ 158,463 | $ 28,155 | $ - |
| Outflows | (161,905) | (28,269) | - |
| | (3,442) | (114) | - |
| Swap contracts | | | |
| Inflows | $ 164,974 | $ 537,028 | $ 1,343,750 |
| Outflows | (167,876) | (541,387) | (1,323,525) |
| | (2,902) | (4,359) | 20,225 |
| | $ (6,344) | $ (4,473) | $ 20,225 |

## 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 (US$3,086 thousand) to ASE Cultural and Educational Foundation ("ASE Foundation") during 2014, 2015 and 2016, respectively, for environmental charity in promoting the related domestic environmental protection and public service activities (Note 35).

b. During 2016, the Company acquired patents and specific technology from an associate at NT$403,543 thousand (US$12,455 thousand), which was primarily based on independent professional appraisal reports. As of December 31, 2016, NT$161,250 thousand (US$4,977 thousand) has not been paid and was accrued under the line item of other payables and other non-current liabilities.

c. During 2014 and 2015, the Company acquired real estate from an associate at NT$4,540,086 thousand and NT$2,466,000 thousand, respectively, which were primarily based on independent professional appraisal reports and fully paid.

d. During 2014, the construction of buildings with green design concept and other projects on current leased property for which the Company contracted with an associate has been completed with a total consideration of NT$349,646 thousand, which was primarily based on independent professional appraisal reports as well as request for quotation and price negotiation, and the payment schedule was based on the agreed acceptance progress. In addition, the Company contracted with the same associate for the construction of employee dormitory on leased property. During 2015 and 2016, the employee dormitory has been capitalized for NT$504,600 thousand and NT$875,000 thousand (US$27,006 thousand), respectively. As of December 31, 2016, NT$228,500 thousand (US$7,052 thousand) has not been paid and was accrued under the line item of other payables.

e. During 2014, the Company donated NT$15,000 thousand to Social Affairs Bureau of the Kaohsiung City Government through ASE Foundation to help the Kaohsiung City Government rebuild the damaged area and settle the residents who suffered or needed to be evacuated from home due to the gas explosion accident in the Qianzhen District of the Kaohsiung City.

f. 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 (US$34,897 thousand).

g. Compensation to key management personnel

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Short-term employee benefits | $ 989,720 | $ 812,002 | $ 790,460 | $ 24,397 |
| Post-employment benefits | 4,049 | 3,944 | 4,790 | 148 |
| Share-based payments | 50,327 | 17,937 | 11,547 | 356 |
| | $ 1,044,096 | $ 833,883 | $ 806,797 | $ 24,901 |

The compensation to the Company's key management personnel is determined 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 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Inventories related to real estate business | $ 16,312,519 | $ 16,813,023 | $ 518,921 |
| Other financial assets (including current and non-current) | 229,613 | 220,228 | 6,797 |
| | $ 16,542,132 | $ 17,033,251 | $ 525,718 |

## 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, 2015 and 2016, unused letters of credit of the Group were approximately NT$93,000 thousand and NT$97,000 thousand (US$2,994 thousand), respectively.

2) As of December 31, 2015 and 2016, the amounts that the Group has committed to purchase property, plant and equipment were approximately NT$8,089,200 thousand and NT$6,630,957 thousand (US$204,659 thousand), respectively, of which NT$1,756,990 thousand and NT$668,509 thousand (US$20,633 thousand) had been prepaid, respectively.

3) As of December 31, 2015 and 2016, the unpaid amounts that the Group has contracted for the construction related to the Group's real estate business were approximately NT$2,745,400 thousand and NT$1,574,822 thousand (US$48,606 thousand), respectively.

4) 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 (US$3,086 thousand) to ASE 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 | |
|---|---|---|
| | **NT$** | **US$ (Note 4)** |
| Less than 1 year | $ 284,214 | $ 8,772 |
| 1-5 years | 355,668 | 10,978 |
| More than 5 years | 438,545 | 13,535 |
| | $1,078,427 | $ 33,285 |

## 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)** |
|---|---|---|---|
| December 31, 2015 | | | |
| 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$0.0083 | 2,393,047 |
| December 31, 2016 | | | |
| Monetary financial assets | | | |
| US$ | $ 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 |

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

| | For the Years Ended December 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | | |
| **Functional Currencies** | **Exchange Rate** | **Net Foreign Exchange Gain (Loss)** | **Exchange Rate** | **Net Foreign Exchange Gain (Loss)** | **Exchange Rate** | **Net Foreign Exchange Gain** | |
| | | **NT$** | | **NT$** | | **NT$** | **US$ (Note 4)** |
| NT$ | | $(1,591,124 ) | | $ (695,510 ) | | $ 1,494,044 | $ 46,113 |
| US$ | US$1 =NT$31.65 | 298,225 | US$1 =NT$32.825 | 136,795 | US$1 =NT$32.25 | 203,258 | 6,926 |
| CNY | CNY1 =NT$5.1724 | 42,049 | CNY1 =NT$5.0550 | (271,358 ) | CNY1 =NT$4.649 | 224,393 | 6,273 |
| | | $(1,250,850 ) | | $ (830,073 ) | | $ 1,921,695 | $ 59,312 |

## 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 which has been recorded under the line item of other gains and losses for the year ended December 31, 2014. 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. (” ASE Holding”) and ASE Holding 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 ASE Holding, 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.

   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 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 ASE Holding 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 ASE Holding'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, ASE Holding 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 ASE Holding's newly issued ordinary shares, all other terms and conditions for issuance will remain the same. The final execution arrangements shall be made by ASE Holding in compliance with relevant laws and regulations and subject to the approval of relevant competent authorities.

## 38. 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, 2014, 2015 and 2016 was as follows:

a. Segment revenues and results

| | Packaging | Testing | EMS | Others | Total |
|---|---|---|---|---|---|
| | NT$ | NT$ | NT$ | NT$ | NT$ |
| For the year ended December 31, 2014 | | | | | |
| Revenue from external customers | 121,336,453 | 25,874,694 | 105,784,427 | 3,595,873 | 256,591,447 |
| Inter-segment revenues (Note) | 9,418,359 | 177,793 | 48,596,814 | 8,437,439 | 66,630,405 |
| Segment revenues | 130,754,812 | 26,052,487 | 154,381,241 | 12,033,312 | 323,221,852 |
| Interest income | 96,737 | 10,245 | 116,451 | 20,041 | 243,474 |
| Interest expense | (1,566,595) | (15,663) | (155,702) | (586,466) | (2,324,426) |
| Depreciation and amortization | (17,533,267) | (6,160,378) | (1,435,509) | (1,221,622) | (26,350,776) |
| Share of the profit of associates | (121,882) | - | - | - | (121,882) |
| Impairment loss | (231,936) | (4,701) | (10,390) | (61,117) | (308,144) |
| Segment profit before income tax | 17,279,239 | 6,800,894 | 3,818,393 | 636,529 | 28,535,055 |
| Expenditures for segment assets | 29,863,337 | 6,157,154 | 6,562,513 | 865,583 | 43,448,587 |

(Continued)

| | Packaging | Testing | EMS | Others | Total |
|---|---|---|---|---|---|
| | NT$ | NT$ | NT$ | NT$ | NT$ |
| December 31, 2014 | | | | | |
| Investments accounted for using the equity method | $ 1,468,242 | $ - | $ - | $ - | $ 1,468,242 |
| Segment assets | 166,359,949 | 44,147,813 | 78,865,897 | 44,345,158 | 333,718,817 |
| For the year ended December 31, 2015 | | | | | |
| 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 | 126,265 | - | - | - | 126,265 |
| Impairment loss | (139,397) | - | (102,389) | (16,343) | (258,129) |
| Segment profit before income tax | 15,479,868 | 6,354,140 | 2,874,944 | 302,836 | 25,011,788 |
| Expenditures for segment assets | 19,691,068 | 4,754,481 | 2,917,939 | 917,333 | 28,280,821 |
| December 31, 2015 | | | | | |
| Investments accounted for using the equity method | 37,122,244 | - | - | - | 37,122,244 |
| Segment assets | 193,323,304 | 42,652,569 | 79,997,341 | 49,013,678 | 364,986,892 |
| For the year ended December 31, 2016 | | | | | |
| 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 | 1,520,052 | (7,833) | - | - | 1,512,213 |
| Impairment loss | (974,095) | (4,136) | (1,886) | - | (980,117) |
| Segment profit before income tax | 13,928,292 | 7,228,182 | 4,626,263 | 2,242,404 | 28, 025,141 |
| Expenditures for segment assets | 17,561,135 | 8,247,003 | 906,042 | 966,682 | 27,680,862 |
| December 31, 2016 | | | | | |
| Investments accounted for using the equity method | 49,603,847 | 229,146 | - | - | 49,832,993 |
| Segment assets | 200,610,763 | 42,964,294 | 73,915,639 | 40,460,480 | 357,951,176 |

| | Packaging | Testing | EMS | Others | Total |
|---|---|---|---|---|---|
| | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) | US$ (Note 4) |
| For the year ended December 31, 2016 | | | | | |
| Revenue from external customers | $ 3,866,754 | $ 834,313 | $ 3,561,578 | $ 221,432 | $ 8,484,077 |
| Inter-segment revenues (Note) | 152,157 | 7,530 | 1,472,883 | 283,530 | 1,916,100 |
| Segment revenues | 4,018,911 | 841,843 | 5,034,461 | 504,962 | 10,400,177 |
| Interest income | 1,003 | 1,278 | 4,033 | 787 | 7,101 |
| Interest expense | (53,306) | (185) | (1,371) | (13,580) | (68,442) |
| Depreciation and amortization | (577,373) | (202,683) | (85,164) | (42,876) | (908,096) |
| Share of the profit of associates and joint ventures | 46,915 | (242) | - | - | 46,673 |
| Impairment loss | (30,065) | (128) | (58) | - | (30,251) |
| Segment profit before income tax | 429,886 | 223,092 | 142,786 | 69,210 | 864,974 |
| Expenditures for segment assets | 542,010 | 254,537 | 27,964 | 29,837 | 854,348 |
| December 31, 2016 | | | | | |
| Investments accounted for using the equity method | 1,530,982 | 7,073 | - | - | 1,538,055 |
| Segment assets | 6,191,691 | 1,326,058 | 2,281,347 | 1,248,780 | 11,047,876 |

(Concluded)

Note: Inter-segment revenues were eliminated upon consolidation.

b. Revenue from major products and services

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| Advanced packaging and IC wirebonding service | $ 108,384,405 | $ 103,735,586 | $ 112,838,646 | $ 3,482,674 |
| Wafer probing and final testing service | 25,116,026 | 24,136,399 | 26,065,195 | 804,481 |
| Electronic components manufacturing service | 104,904,455 | 137,347,359 | 114,425,790 | 3,531,660 |
| Others | 18,186,561 | 18,083,192 | 21,554,476 | 665,262 |
| | $ 256,591,447 | $ 283,302,536 | $ 274,884,107 | $ 8,484,077 |

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, respectively.

1) Net revenues from external customers

| | For the Years Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | |
| | NT$ | NT$ | NT$ | US$ (Note 4) |
| United States | $ 173,912,974 | $ 205,730,670 | $ 180,745,837 | $ 5,578,575 |
| Taiwan | 36,747,699 | 32,631,149 | 38,868,679 | 1,199,651 |
| Asia | 24,042,586 | 22,885,128 | 29,896,304 | 922,725 |
| Europe | 20,826,125 | 20,577,069 | 23,275,732 | 718,387 |
| Others | 1,062,063 | 1,478,520 | 2,097,555 | 64,739 |
| | $ 256,591,447 | $ 283,302,536 | $ 274,884,107 | $ 8,484,077 |

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

| | December 31 | | |
|---|---|---|---|
| | 2015 | 2016 | |
| | NT$ | NT$ | US$ (Note 4) |
| Taiwan | $ 98,849,362 | $ 97,349,392 | $ 3,004,611 |
| China | 40,385,484 | 34,142,577 | 1,053,783 |
| Others | 25,458,503 | 26,935,370 | 831,339 |
| | $ 164,693,349 | $ 158,427,339 | $ 4,889,733 |

d. Major customers

Except one customer from which the operating revenues generated from packaging and EMS segments was NT$54,431,222 thousand, NT$88,311,697 thousand and NT$66,554,659 thousand (US$2,054,156 thousand) in 2014, 2015 and 2016, 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, 2014, 2015 and 2016.