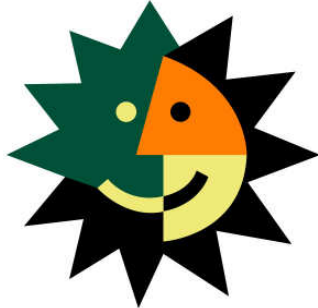


Stock Code : 2311

NYSE : ASX



**ASE**

**ADVANCED  
SEMICONDUCTOR  
ENGINEERING, INC.**

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**Notice and Agenda**

**Of**

**2017 Annual Shareholders' Meeting**

**June 28, 2017**

# **Summary Translation**

# **Meeting Notice**

To:  
Shareholder \_\_\_\_\_

The Board of Directors, Advanced Semiconductor Engineering, Inc.  
105

Address: B1, No. 8 Dongxing Road, Songshan District, Taipei City

Advanced Semiconductor Engineering, Inc. Stock Affairs Agent

President Securities Corp. Department of Stock Affairs

Exclusive line for stock affairs agency: (02)2746-3797 (Representative line)

Website: <http://www.pscnet.com.tw/>

The personal information collected by the Stock Affairs Agency is processed or used only for stock affairs purposes, and related information will be stored according to regulations or for the agreed storage periods. Please contact the Stock Affairs Agency if you intend to exercise related rights.

### Coupon 1:

Notice for Attendance in Person

Please note that I shall personally attend the 2017 Shareholders' Meeting on June 28, 2017 and you may send me the Sign-in Card.

To:  
Advanced Semiconductor Engineering, Inc.

Shareholder No.:

Shareholder Name:

(If proxy is consigned, please endorse on the back of the card)

Please sign here if you shall attend the meeting in person.

Serial No.:

Checked and Verified by:

### Coupon 2: Sign-in Card

This Sign-in Card will become null and void without the registration seal affixed by ASE's stock affairs agent.	2017 Annual Shareholders' Meeting of Advanced Semiconductor Engineering, Inc.	
	<input type="checkbox"/> In person <input type="checkbox"/> By proxy Sign-in Card for attendance Time: 10:00AM, Wednesday, June 28, 2017 Venue: Zhuang Jing Auditorium, 600 Jiachang Rd., Nantz Processing Export Zone, Nantz District, Kaohsiung City	
Shareholder No.:		
Number of Shares Held:		
Addressee: Shareholder Name: Mailing Address of Shareholder: Name of Agent: Mailing Address of Agent:		
Serial No. of Attendance:	Approved by:	





**Coupon 4**

Atten: 105, B1, No. 8 Dongxing Road, Songshan District, Taipei City

Advanced Semiconductor Engineering, Inc. Stock Affairs Agent  
 President Securities Corp. Department of Stock Affairs Agency

Advertisement Reply
Taiwan Northern Post Office Administration Registration Permit
Pei-Shih-Tzu-#3577

(No Postage Necessary)

\_\_F, \_\_\_\_, \_\_\_\_\_Alley, \_\_ Lane, \_\_\_\_\_Road/Street, \_\_Sec., \_\_\_\_\_Neighborhood/Village,  
 \_\_\_\_\_District/Township, \_\_\_\_\_County/City

Sender:

**Coupon 5**

If you wish to consign an agent to attend the meeting on your behalf, please fill out this Coupon and send it back.

Serial No.: \_\_\_\_\_ Checked and Verified by: \_\_\_\_\_ Stock Code No.: 2311

<p style="text-align: center;">PROXY</p> <p>1. (The entrustor must fill out in person; it cannot be replaced by affixing of seal) is hereby assigned as the agent for the undersigned shareholder, to attend the Shareholders' General Meeting to be held on June 28, 2017, representing the undersigned shareholder to exercise the following rights as authorized:  <input type="checkbox"/> (I) Representing the undersigned shareholder to exercise the rights of shareholders with regard to the matters in the agenda. (carte blanche)  <input type="checkbox"/> (II) Representing the undersigned shareholder to exercise the rights and to express the opinions of the undersigned shareholder with regard to the following proposals. When none of the following proposals is checked, it is considered that all the proposals are ratified or approved.                      1. Ratification of ASE's 2016 business report and final financial statements.                      (1) <input type="checkbox"/> Agree (2) <input type="checkbox"/> Reject (3) <input type="checkbox"/> Abstain                      2. Ratification of 2016 earnings distribution proposal.                      (1) <input type="checkbox"/> Ratify (2) <input type="checkbox"/> Reject (3) <input type="checkbox"/> Abstain                      3. Revision of ASE's Procedure for the Acquisition or Disposal of Assets                      (1) <input type="checkbox"/> Ratify (2) <input type="checkbox"/> Reject (3) <input type="checkbox"/> Abstain</p> <p>2. When the undersigned shareholder did not check the scope of authorization or has checked multiple items in the foregoing, the proxy is considered carte blanche. If the stock affairs agency is authorized to represent the shareholder, the agent shall exercise shareholders' rights as authorized under (II) in the foregoing.</p> <p>3. The agent of the undersigned shareholder may have the right to handle any extempore motions at his/her discretion in the meeting.</p> <p>4. Please mail the attendance pass or presence sign-in card to the agent. If the meeting date is changed for whatever the reason, this Proxy remains in force (limited to this Meeting only).</p> <p>To:                      Advanced Semiconductor Engineering, Inc.</p> <p>Date of authorization MM/DD/YYYY</p>	1. Solicitation of proxy at a price in the form of cash or for other interests is prohibited. 2. Upon discovery of illegal acquisition or use of proxy, one can enclose substantial evidence and report it to the Taiwan Depository & Clearing Corporation; once found to be true, the informer will be entitled to a reward of up to NT\$50,000. To report a case: (02) 2547-3733.	Principal (Shareholder)			Serial No.	02	A S E	
		Shareholder No.	Number of shares held			Signature or Seal		
		Name or Title						
		Solicitor			Signature or Seal			
		Account No						
		Name or Title						
		Agent Consigned			Signature or Seal			
		Account No						
		Name or Title						
		ID No.						
Address								

Place of solicitation and signature:

## Coupon 6

### Notice for Meeting

- I. Please note that we are scheduled to hold the 2017 Shareholders' General Meeting on Wednesday, June 28, 2017 at 10:00 a.m. (shareholder registration starts at 9:00 a.m. ; please sign-in at the meeting location) at Chuang-ching Hall, 600, Jiachang Rd., NEPZ, Nantz Dist., Kaohsiung City. Meeting agenda: 1. Highlights of Presentation: (1) 2016 Business Report. (2) Report by Audit Committee on review of the 2016 financial statements. (3) Report on total amount for endorsement, guarantee and amount of loans to third parties. (4) Report on the 2016 distribution of employees' compensation and remuneration to Directors. (5) Report on the Board of Directors' implementation of the privately placed foreign convertible corporate bonds passed during the 2016 shareholders' general meeting. (6) Report on the Company's unsecured corporate bonds issued domestically. 2. Matters for Ratification: (1) Ratification of ASE's 2016 business report and final financial statements. (2) Ratification of 2016 earnings distribution proposal. 3. Matters for discussion: Discussion of revision of the Procedure for the Regulations Governing the Acquisition or Disposition of Asset. 4. Other Proposals and Extempore Motions
- II. Dividend to be distributed is NT\$1.4 per share, all of which will be distributed in cash. If at a later date ASE's foreign convertible corporate bond holders exercise the right of conversion, or new shares are issued to employees against Employee Stock Option warrants, or new shares are issued by ASE for cash increase, or there is a buyback of ASE's stocks, or transfer or cancellation of ASE's treasury stocks, which affects the cash distribution rate of the shareholders' bonus and hence requires adjustment, the management will request the Shareholders' Meeting to authorize the Chairman of the Board to handle the situation in his sole discretion and make adjustments accordingly
- III. According to Article 165 of the Company Act, stock transfers shall be discontinued from April 30, 2017 to June 28, 2017.
- IV. Apart from the public announcement, this is the letter of invitation attached with one copy each of the Notice for Attendance of the Shareholders' General Meeting and proxy. You are cordially invited to attend. If you are to attend the meeting in person, please report to the meeting venue on the date of meeting by filling out Coupon 1 the Notice for Attendance in Person and Coupon 2 (Sign-in Card). If you wish to assign an agent to attend on your behalf, please send back Coupon 5 Proxy and Coupon 2 Sign-in Card in their full form, duly filled out, to the Company's stock affairs agent, President Securities Corp. with attention to Department of Stock Affairs Agency 5 days prior to the Meeting. Once the signature or seal is verified, the Company's stock affairs agent will send back the Sign-in Card with the registration seal affixed to your agent for attending the Shareholders' General Meeting.
- V. If any shareholder wishes to solicit proxies, ASE will produce a general checklist stating therein the information of the solicitor and the soliciting information on May 26, 2017 to be disclosed on the website (<http://free.sfi.org.tw>). Investors who wish to make an enquiry may visit the website and go to Free Enquiry System for Announced Information Relating Proxy. Click on Entry for Enquiry About Announced Information on Proxy for Meeting on the right-hand side and enter the search criteria
- VI. Verification of proxy votes at the shareholders' general meeting shall be conducted by the Department of Stock Affairs at President Securities Corp.
- VII. In this shareholder's meeting, shareholders may exercise their voting rights electronically. The period for them to exercise the right is May 29 through June 25, 2017. Log in to Taiwan Depository &

Clearing Corporation's "Stock Vote" website and proceed in accordance with the instructions provided (web address: [www.stockvote.com.tw](http://www.stockvote.com.tw)).

VIII. This is for your information. Please act accordingly.

### **Instructions for use of the Proxy**

1. Before solicitation for proxy is made by a third party, shareholders are advised to ask the solicitor to provide information on written and advertising contents or consult with ASE-compiled general information of the solicitor's written and advertising contents in order to fully understand the background information of the solicitor and the candidate to be elected as well as opinions on agenda items of the solicitor.
2. If the trustee agent is not a Shareholder No., he/she should fill out his/her ID number or the uniform serial number in the Shareholder A/C Column.
3. If the solicitor is a trust business or service agency institution, please fill out the uniform serial number in the Shareholder No. A/C Column.
4. All other matters related to the agenda shall be conducted by the instructions herein provided.
5. If the proxy has already been delivered to ASE and the shareholder decides they wish to personally attend the meeting or exercise his or her voting rights by electronic means, the concerned shareholder should notify ASE in writing two days prior to the shareholders' meeting to rescind the notice for proxy. If the shareholder fails to do so by the deadline, the voting right cast by the trustee agent shall govern.
6. The Department of Stock Affairs at President Securities Corp. (No. 8, Dongxing Road, Songshan District, Taipei City) has been appointed the Company's stock affairs agent for the current shareholders' meeting. Telephone: (02)2746-3797. If you are unable to attend the shareholders' meeting in person to approve the proposals of the Board of Directors, please place a check mark next to the proposal, signed or sealed (1. Ratification of ASE's 2016 business report and final financial statements. 2. Ratification of 2016 earnings distribution proposal. 3. Revision of the Company's Procedure for the Acquisition or Disposal of Assets. ) The Department of Stock Affairs at President Securities Corp. has been appointed the Company's stock affairs agent.
7. See Coupon 5 for the format of the proxy.

# **Meeting Agenda**

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# **Advanced Semiconductor Engineering, Inc.**

## **2017 Annual Shareholders' Meeting Procedure**

- I. Meeting called to order (announce respective number of shares held by shareholders present)**
- II. Chairperson's opening remarks**
- III. Status Report**
- IV. Matters for Ratification**
- V. Matters for Discussion**
- VI. Other Proposals and Extempore Motions**
- VII. Meeting Ends**

# **Advanced Semiconductor Engineering, Inc.**

## **2017 Annual Shareholders' Meeting Agenda**

**A. Time: 10:00AM, Wednesday, June 28, 2017**

**B. Place: Zhuangjing Auditorium, 600 Jiachang Rd., Nanzi Processing Export Zone, Nanzi District, Kaohsiung City**

**C. Attendees: All shareholders and proxies**

**D. Chairperson's Remarks**

**E. Status Report**

- (1) 2016 Business Report
- (2) Report by Audit Committee on review of the 2016 financial statements.
- (3) Report on total amount for endorsement, guarantee and amount of loans to third parties.
- (4) Report on the 2016 distribution of employees' compensation and remuneration to directors.
- (5) Report on the BOD's implementation of the privately placed foreign convertible corporate bonds passed in the 2016 shareholders' general meeting.
- (6) Report on the Company's unsecured corporate bonds issued domestically.

**F. Matters for Ratification:**

- Case 1: Ratification of ASE's 2016 business report and final financial statements.
- Case 2: Ratification of 2016 earnings distribution proposal.

**G. Items for Discussion**

- Case 1: Discussion of revision of the Procedure for Regulations Governing the Acquisition or Disposal of Assets.

**H. Other Proposals and Extempore Motions**

**I. Meeting Ends**



## Status Report

### (1)2016 Business Report (proposed by the Board of Directors)

Explanation: Please see Attachment 1 for the 2016 Business Report attached to this manual.

### (2)Report by Audit Committee on review of the 2016 Financial Statements. (proposed by the Board of Directors)

Explanation: Please see Attachment 2 for the Audit Committee' Report attached to this manual.

### (3)Report of ASE's aggregate amount of endorsements, guarantees, and loans extended to others as of December 31, 2016. (proposed by the Board of Directors)

Explanation: 1.ASE's aggregate amount of endorsements and guarantees is as follows as of December 31, 2016:

Unit: NT\$ 1,000

Guarantee beneficiary	Relationship	Guaranteed amount Amount	Actual amount of utilization
Anstock II Limited	Subsidiaries in which it indirectly holds 100% voting shares	9,880,594	9,766,375

2. ASE's aggregate amount of loans extended to others is zero as of December 31, 2016.

### (4)Report on the 2016 distribution of employees' compensation and remuneration to directors. (proposed by the Board of Directors)

Explanation: 1.Pursuant to the Company's Articles of Incorporation, if the Company has profit for the year, 5.25% or more and 8.25% or less of the income shall be set aside as employees' compensation, and 0.75% or less of the income shall be distributed as remuneration to directors. However, if the Company has accumulated loss, a portion shall be reserved in advance for making up losses.

2.Pursuant to the Company's Articles of Incorporation, the Company has, with respect to its 2016 employees' compensation and remuneration to directors, passed resolution at the March 30, 2017 Board of Directors' Meeting to the effect that NT\$ 2,151,900,000 is to be distributed among employees and NT\$ 148,000,000 to be distributed among directors. The amounts set aside for such remuneration are respectively 8.25% and 0.567%.

**(5) Report on the Board of Directors' implementation of the privately placed foreign convertible corporate bonds passed in the 2016 shareholders' general meeting. (proposed by the Board of Directors)**

Explanation: 1. ASE approved through a Shareholder's Meeting on June 28, 2016 to authorize the Board of Directors with the discretion to conduct fundraising through privately placed foreign convertible corporate bonds of a value up to NT\$15 billion or its equivalent in foreign currencies.

2. With respect to the aforementioned private offering of foreign convertible corporate bonds by the Board of Directors as authorized by the Shareholders Meeting, the aforementioned issuance deadline expired on June 27, 2017, and the Company's Board of Directors did not make any private placement of convertible corporate bonds during the authorized issuance period.

**(6) Report on the Company's unsecured corporate bonds issued domestically. (proposed by the Board of Directors)**

Explanation: To raise long-term funds and in order to address the capital requirements of the Company in the long term and mitigate the risks associated with rebounding interest rates in the future, the Company's Board of Directors approved the first issue of unsecured ordinary corporate bonds on December 8, 2016. The total issue was no more than NT\$8 billion and was categorized into two types: A and B, for an issuance duration of five and seven years respectively and in accordance with letter under reference number Zheng-Gui-Zai No.10600004022 from the GreTai Securities Market on January 6, 2017. The Company completed the offering on January 13, 2017.

## Matters for Ratification

### Case 1 (proposed by the Board of Directors)

Proposal: Ratification of ASE's 2016 business report and final financial statements. Please ratify.

Explanation: 1.The Company's 2016 financial statements have been audited and certified by Deloitte & Touche.

2.Please ratify the 2016 Business Report (see Attachment 1 to this Handbook for details) and Financial Statements (see Attachment 3 to this manual for details).

Resolution:

### Case 2 (proposed by the Board of Directors)

Proposal: Please ratify ASE's 2016 proposal for earnings distribution.

Explanation: 1.The Board of Directors has drafted ASE's 2016 proposal for surplus distribution as shown in the table below in accordance with ASE's Articles of Incorporation for your ratification.

Advanced Semiconductor Engineering, Inc.

2016 earnings distribution proposal

Unit: NT\$

Item	Amount
Earnings carried over from the previous year	25,756,319,964
Subtract: Retained earnings adjusted retroactively in accordance with IFRS.	281,357,000
Subtract: Retained earnings adjustments recognized under Equity Method.	5,884,153
Subtract: Actuarial losses allocated to retained earnings	402,184,136
Add: Current year gross profit	21,680,339,074
Subtract: Provision for 10% statutory surplus reserve	2,168,033,907
Current year earnings to be distributed	44,579,199,842
Items for distribution:	
Dividends (Note 1)	11,415,197,564
Current year retained earnings	33,164,002,278

Chairman: Jason C.S. Chang    Manager: Richard H.P. Chang    Accountant Manager: Hong-Ming Kuo

Note 1: A total of NT\$11,415,197,564 is distributed as dividends, i.e. NT\$1.4 per share, all of which will be distributed in cash. The above distribution of dividends to shareholders and the cash and stock dividend distribution rates are calculated based on the number (8,153,712,546) of shares recorded in the Register of Shareholders as of March 28, 2017 after treasury stocks that were already bought back by ASE were subtracted. If at a later date ASE's ECB holders exercise the right of conversion, or new shares are issued to employees against Employee Stock Option warrants, or new shares are issued by ASE for cash increase, or there is a buyback of ASE's stock, or transfer or cancellation of ASE's treasury stocks, such event affecting the cash distribution rate of the shareholders' bonus, and thus requiring adjustment of distribution of dividends, the management will request that the Shareholders' Meeting authorize the Chairman to handle the situation in his discretion and make adjustments accordingly.

Note 2: In response to the introduction of an integrated income tax system, earnings of the most recent year will be distributed at this time.

2. Basis date for dividend distribution: The board is authorized to set the date after it is passed at the Shareholder's Meeting.

Resolution:

## **Matters for Discussion**

### **Case 1 (proposed by the Board of Directors)**

Proposal: Please discuss the revised version of the Procedure for Regulations Governing the Acquisition or Disposal of Assets.

Explanation: 1. In response to the amendment of the Criteria for Handling Acquisition and Disposal of Assets by Public Companies released by the Financial Supervisory Commission on February 9, 2017, the Company's board of directors approved the amendment of part of the Company's Regulations Governing the Acquisition or Disposal of Assets by a resolution on March 30, 2017.

2. Your approval of the comparison of Revised Articles of the Regulations Governing the Acquisition or Disposal of Assets before and after revisions as shown in attachment 4 is requested.

Resolution:

## **Other Proposals and Extempore Motions**

## **Meeting Ends**

## Advanced Semiconductor Engineering, Inc.

### Business Report

The first half of 2016 remained weak as expected, with developed economies possessing inadequate momentum for recovery. As a result growth of emerging markets had slowed significantly. Fortunately the second half of the year showed positive signs and outlook appeared to be more positive. The semiconductor industry attained double-digit growth rate during the third quarter in large part because of consumption of its inventory. It looks set to have finally emerged from doldrums. According to statistics by Gartner<sup>1</sup>, sales for the semiconductor industry in 2016 were USD 339.7 billion, a growth of 1.5% over 2015. Gartner also projected global semiconductor sales in 2017 at USD 364.1 billion, a growth of 7.2% over 2016.

According to the report of the IEK ITIS Project, the IC packaging and testing industry in Taiwan produced output of NT\$ 463.8 billion in 2016, a growth of about 5.1% from 2015. Output of the packaging industry amounted to NT\$ 323.8 billion, a growth of 4.5% from 2015. Output of the testing industry amounted to NT\$140.0 billion, a growth of 6.5% compared to 2015. The following is our report on the Company's operation for the past year:

#### "2016 Operating Results"

##### 1. Implementation of the 2016 business plan

ASE's consolidated revenue for 2016 totaled NT\$ 274.9 billion, a decrease of about NT\$8.4 billion, or a decline of about 3% from 2015. With respect to the company's semiconductor packaging and testing operations. Consolidated operating revenue for 2016 was NT\$173.9 billion (including inter-division revenue of NT\$14.4 billion). This was an increase of about NT\$11.5 billion over that in 2015 (growth of about 7%). The main reasons for the increase are increasing trend of outsourcing of semiconductor packaging services and improvement in the company's productivity. Furthermore with respect to the Group's OEM services, consolidated revenue for 2016 was NT\$163.1 billion (including inter-division revenue of NT\$47.7 billion). This was a decline of about NT\$33.6 billion, or 17.1%. Nevertheless, gross profit margin for electronics OEM services grew from 7.5% in 2015 to 9.8% in 2016.

##### 2. Budget Implementation

ASE did not release any financial forecast in 2016.

##### 3. Analysis of financial gains and losses and profitability

The company's 2016 consolidated financial statements show that its paid-up capital was NT\$79.6 billion, while total owner's equity amounted to NT\$157.4 billion, constituting 44% of total assets (NT\$357.9 billion); Long-term funds to fixed assets was 169% while current ratio was 136.7%. As such the company's financial ratios for the current year were comparable to those for the previous year. Gross profit margin of the Group at 19.4% was better than that in 2015 (17.7%). Net operating profit was NT\$26.7 billion, an increase of NT\$1.8 billion in 2015, showing a growth of about 7.2%. Net profit attributed to the company's owner was NT\$21.7 billion, an increase of NT\$2.5 billion in the previous year, or a growth of about 13%. Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) as shown in the consolidated

financial statements rose about 4.3% over those in 2015. As such the company's profitability in 2016 was better than that in 2015.

#### 4. R&D Overview

With the proliferation of PC and mobile devices, system-on-chip has entered a phase of maturity in line with Moore's Law which has been the driving force for efficiency in global micro-electronics and semiconductor industries. As the effect of Internet-of-Things (IoT) becomes ubiquitous in algorithms, the industry chain has been sparing no effort in moving towards higher value systems. This has in turn highlighted the importance of system innovation and integration for heterogeneous chips. As a result strengthening of functional integration and 'micronization' technology are being developed in tandem in order to create smart, networked environment and devices that are more effective, thereby enabling users to enjoy smarter, more convenient lifestyle. Key technological platforms being built by the company on a sustained basis are as follows: Packaging/module of advance systems and packaging of flip-chip bumps/brazing wire and mid- to low-pin counts etc., with key products and technologies successfully developed in 2016 being classified as follows: (1) Flip-chip packaging: Verification of 10nm copper production technology process, flip-chip packaging applications for 14/16nm copper production process/ultra-low dielectric chip, double-side packaging glue protection technology; (2) Wire-bond assembly: Ball-grid array packaging for silver-alloy wires and composite flip-chip, applications for embedded PCB, copper/gold brazing wire for ultra-fine pitch and stubs technology, with verification of applications extended to 20/28nm technology. (3) wafer assembly: Advanced fan-out wafer-level packaging (FOWLP) aWLP-11 (InFO-like structure), introduction of new 2.5 through silicon via (TSV) and stacking products, packaging of micro-mechanical and electrical exposed die and balling, integrated packaging of passive components such as TSV glass base board/stacked brazing wires, fine pitch tin-silver/copper pillar electroplated wafer bumping and 15-micron TSV filling technology. (4) Advanced packaging and module: High-density SiP packaging 4G communication module, compartmental shielding technology, selective sectional packaging and gluing technology and double-sided sectional packaging and gluing technology.

#### "Overview of 2017 Business Plan"

##### 1. Operating policy

(1) Providing customers with "best-quality" services; (2) creating long-term and steady profits for the company and customers; (3) working together with partners for a promising future; (4) training employees to become outstanding professionals in their respective fields; (5) treating all employees "fairly and reasonably"; (6) providing employees with a "harmonious, pleasant, and open" workplace; and (7) remaining flexible wherever possible during operation.

##### 2. Projected sales volume and basis

In the light of current industry dynamics, future market demand and ASE's production capacity, the projected sales volume for 2017 is as follows:

Item	Projected Sales
Packaging	Approx. 18.5 billion
Testing	Approx. 2.3 billion

### 3. Important production and sales policies

Looking back on 2016, the growth rate for the company's packaging and testing revenue is 3.9%, about 2 times that of the semiconductor industry. The main reasons for such growth are as follows: In addition to increasing trend of outsourcing packaging services and growth in the company's productivity, the company's R&D efforts in flip-chip packaging, wafer bumping and wafers are also important reasons for growth. We believe that they will experience high growth in 2017. At the same time the company will continue to expand into technologies such as FOWLP, copper pillar bps packaging and embedded PCB etc. while also expanding its production capacity for panel-level FOWLP such as to shift advanced packaging technology from wafer-level to panel-level. The trend for low and high efficiency as well as high level of integration is an unchanged principle. We believe that the market will continue to improve in 2017. As such the company will devote greater attention to overall profitability and invest more funds into technology R&D and improvements. Furthermore, system in package (SiP) remains to be a major issue deserving our attention. The company will continue to provide diversified options for SiP products, markets and customers. It is only through sustained R&D and innovation can the company obtains first-mover advantage in a competitive market.

### **Future Development Strategy**

In the long term, the main driving forces for global semiconductor industry are population, lifestyle and new efficiency. Although Taiwan's GDP constitutes only 0.7% of global GDP, it has captured as much as 56.6% of total packaging and testing market and Taiwan's semiconductor industry makes up 22% of the global industry. It is therefore obvious that Taiwan's semiconductor industry has obtained the trust of global partners. The industry has also created new values as well as new business model. The company continues to focus on technological innovation, and increase its investments in R&D and capital expenses. It aims to create sufficient room for profit growth through enhancing innovation and overall economic scale in order for it to continue to grow. The greatest consideration for the company's merger with Siliconware Precision Industries was “innovation”. In addition, purposeful division of labor allows each of us to devote our efforts to our specialization, thus improving overall efficiency. The semiconductor industry is a globally-competitive industry. Therefore it is imperative to achieve virtuous cycle for the industry is to consolidate resources to increase efficiency as well as reduce cost before giving back the benefits to customers, while also reducing repetitive investments such that greater resources can be directed to development and innovative R&D, with customers receiving better technology and services as a result.

### **Impact of Competitive, Regulatory and Operating Environments**

For 2017 the majority of research and forecasting institutions hold a cautious outlook. America's political direction after its presidential election will no doubt be a key factor for global economic growth. If the U.S. is able to successfully reinvigorate its domestic demand, other nations will surely also benefit as a result. In the case of China it is expected that its government will continue to implement overall adjustment and control policies. As a result China's economic structure should move towards set targets. However a trend of low growth looks inevitable. Apart from the above, the global economy looks to face uncertainties such as interest



rate increase by the U.S., risk of debt default by emerging markets and emergence of trade protectionism etc. Changes in Taiwan's laws and regulations to improvement in labor conditions and emergence of greater awareness for environmental protection have caused the company to spend greater effort in achieving a balance between business performance and an enterprise with no social burden. The coming years appear to remain challenging. Despite this the company will continue to renew itself to keep up with the times.

Chairman: Jason C.S. Chang    President: Richard H.P. Chang    Accounting Manager: Hong-Ming Kuo

*1. Source: Forecast Analysis: Electronics and Semiconductors, Worldwide, 4Q16 Update, Published: 13 January 2017, Analyst(s): Ganesh Ramamoorthy, Jon Erensen, Andrew Norwood, Adriana Blanco, Amy Teng, Ben Lee, Joseph Unsworth, Masatsune Yamaji*

*The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.*

## **Audit Committee Report**

The Board of Directors has prepared and submitted the 2016 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying ASE's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

Advanced Semiconductor Engineering, Inc.

Audit Committee convener:

Sheng-Fu You

March 30, 2017

**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**

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

#### Goodwill Impairment

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



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

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

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

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

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

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

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

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

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



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

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

### **Other Matter**

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

We have also audited the parent company only financial statements of Advanced Semiconductor Engineering, Inc. for the years ended December 31, 2016 and 2015 on which we have expressed an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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



decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Jia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2017

Notice to Readers

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

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



# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (Amounts in Thousands)

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

(Continued)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

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

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	2016	
	NT\$	(Adjusted) NT\$	NT\$	US\$
OPERATING REVENUES	\$ 256,591,447	\$ 283,302,536	\$ 274,884,107	\$ 8,484,077
OPERATING COSTS	<u>203,002,918</u>	<u>233,167,308</u>	<u>221,689,888</u>	<u>6,842,280</u>
GROSS PROFIT	<u>53,588,529</u>	<u>50,135,228</u>	<u>53,194,219</u>	<u>1,641,797</u>
OPERATING EXPENSES				
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	<u>10,289,684</u>	<u>10,937,566</u>	<u>11,391,147</u>	<u>351,578</u>
Total operating expenses	<u>23,942,660</u>	<u>25,250,606</u>	<u>26,485,716</u>	<u>817,460</u>
OTHER OPERATING INCOME AND EXPENSES, NET	<u>228,615</u>	<u>(251,529)</u>	<u>(800,280)</u>	<u>(24,700)</u>
PROFIT FROM OPERATIONS	<u>29,874,484</u>	<u>24,633,093</u>	<u>25,908,223</u>	<u>799,637</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	529,251	815,778	589,236	18,186
Other gains and losses	607,299	1,748,795	2,276,544	70,264
Finance costs	(2,354,097)	(2,312,143)	(2,261,075)	(69,786)
Share of the profit or loss of associates and joint ventures	<u>(121,882)</u>	<u>126,265</u>	<u>1,512,213</u>	<u>46,673</u>
Total non-operating income and expenses	<u>(1,339,429)</u>	<u>378,695</u>	<u>2,116,918</u>	<u>65,337</u>
PROFIT BEFORE INCOME TAX	28,535,055	25,011,788	28,025,141	864,974
INCOME TAX EXPENSE	<u>5,665,954</u>	<u>4,311,073</u>	<u>5,390,844</u>	<u>166,384</u>
PROFIT FOR THE YEAR	<u>22,869,101</u>	<u>20,700,715</u>	<u>22,634,297</u>	<u>698,590</u>
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)

(Continued)

# 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	2016	
	NT\$	(Adjusted) NT\$	NT\$	US\$
Income tax relating to items that will not be reclassified subsequently	\$ 23,885 <u>(5,291)</u>	\$ 11,002 <u>(89,657)</u>	\$ 73,637 <u>(393,338)</u>	\$ 2,273 <u>(12,140)</u>
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 <u>5,509,729</u>	(4,832) <u>(57,890)</u>	(871,679) <u>(7,565,921)</u>	(26,904) <u>(233,517)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>5,504,438</u>	<u>(147,547)</u>	<u>(7,959,259)</u>	<u>(245,657)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 28,373,539</u>	<u>\$ 20,553,168</u>	<u>\$ 14,675,038</u>	<u>\$ 452,933</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 22,228,602	\$ 19,732,148	\$ 21,361,606	\$ 659,309
Non-controlling interests	640,499 <u>22,869,101</u>	968,567 <u>20,700,715</u>	1,272,691 <u>22,634,297</u>	39,281 <u>698,590</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 27,394,362	\$ 19,659,081	\$ 13,994,159	\$ 431,917
Non-controlling interests	979,177 <u>28,373,539</u>	894,087 <u>20,553,168</u>	680,879 <u>14,675,038</u>	21,015 <u>452,932</u>
<b>EARNINGS PER SHARE</b>				
Basic	\$ 2.89	\$ 2.58	\$ 2.79	\$ 0.09
Diluted	\$ 2.79	\$ 2.48	\$ 2.33	\$ 0.07
<b>EARNINGS PER AMERICAN DEPOSITARY SHARE ("ADS")</b>				
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		Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings									
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	-	-	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	-	-	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														
	Share Capital		Retained Earnings				Other Equity						Non-Interests	Total Equity	
	Shares (in thousands)	Amounts	Capital	Legal Reserve	Special	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares			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	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	-	-	(20,552 )	-	-	(5,884 )	(5,884 )	-	-	-	-	-	(26,436 )	26,436	-
Changes in percentage of ownership interest in subsidiaries	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	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															
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			
	2015		2016	
	2014	(Adjusted)	2016	US\$
	NT\$	NT\$	NT\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
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			
	2015		2016	
	2014	(Adjusted)		
	NT\$	NT\$	NT\$	US\$
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	<u>(38,817,889 )</u>	<u>(63,351,429 )</u>	<u>(43,159,458 )</u>	<u>(1,332,081 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
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	<u>(2,879 )</u>	<u>391,322</u>	<u>219,940</u>	<u>6,788</u>
Net cash generated from (used in) financing activities	<u>(2,797,003 )</u>	<u>8,636,339</u>	<u>(21,087,020 )</u>	<u>(650,834 )</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY</b>				
	<u>2,419,454</u>	<u>723,556</u>	<u>(4,720,046 )</u>	<u>(145,682 )</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,668,039	3,556,771	(16,858,657 )	(520,329 )
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>45,026,371</u>	<u>51,694,410</u>	<u>55,251,181</u>	<u>1,705,283</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 51,694,410</u>	<u>\$ 55,251,181</u>	<u>\$ 38,392,524</u>	<u>\$ 1,184,954</u>

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



**Advanced Semiconductor Engineering,  
Inc.**

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

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

In our opinion, based on our audits and the report of the other independent auditors' (refer to paragraph of Other Matter), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2016 are discussed as follows.

#### Impairment evaluation of excess of the cost of acquisitions over the Company's share of the net fair value of the identifiable assets and liabilities of subsidiaries

The accompanying parent company only financial statements for the year ended December 31, 2016 included investments in subsidiaries of NT\$ 151,731,955 thousand, which represented 48% of the Company's total assets. The excess of the cost of acquisitions over the Company's share of the net fair value of identifiable assets and liabilities of subsidiaries was NT\$ 10,558,878 thousand (goodwill from subsidiaries), which was included in the carrying amount of the investments and was not amortized. In accordance with IAS 36, "Impairment of Assets," management performs impairment assessment on goodwill from subsidiaries at the end of each year to



determine whether the carrying amounts significantly exceeds the recoverable amounts of the cash-generating units to which the goodwill from subsidiaries has been allocated.

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

Please refer to Notes 4 (i), 5 and 11 to the accompanying parent company only financial statements for related disclosures of the impairment assessment on goodwill from subsidiaries included in the investments in associates accounted for using the equity method.

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

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

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

The Company has successively acquired 33.29% shareholdings in Siliconware Precision Industries Co., Ltd. ("SPIL") with a total consideration of NT\$48,790,498 thousand. As of December 31, 2016, the carrying amount of such investment was NT\$45,884,727 thousand, which represented 15% of the Company's total assets, and therefore it was significant to the accompanying parent company only financial statements taken as a whole. Management 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 in accordance with IFRS 3, "*Business Combinations*."

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



Please refer to Notes 4 (g), 5 and 11 to the accompanying parent company only financial statements for related accounting policies and the uncertainty of accounting estimate and assumptions regarding the investment in SPIL's shareholdings.

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

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

#### **Other Matter**

The consolidated financial statements of SPIL, an investee which was accounted for using the equity method in the Company's parent company only financial statements for the year ended December 31, 2016 and 2015, were audited by other independent auditors and our audit, insofar as it relates to the amounts and information disclosed, is based solely on the report of the other independent auditors. The accompanying parent company only financial statements of the Company included its investments accounted for using the equity method in SPIL of NT\$45,884,727 thousand and NT\$35,141,701 thousand, which represented 15% and 11% of the Company's total assets, as of December 31, 2016 and 2015, respectively, and its share of profit of SPIL of NT\$1,755,091 thousand and NT\$129,580 thousand, which represented 8% and 1% of the Company's net profit for the year ended December 31, 2016 and 2015, respectively.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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



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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Jia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2017

Notice to Readers

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

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

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015 (Adjusted)	
	NT\$	%	NT\$	%
<b>CURRENT ASSETS</b>				
Cash	\$ 3,159,351	1	\$ 8,533,346	3
Financial assets at fair value through profit or loss - current	600,946	-	1,503,196	1
Trade receivables, net	17,825,948	6	14,030,441	5
Trade receivables from related parties	1,760,150	1	2,281,805	1
Other receivables	1,445,567	-	1,367,621	-
Other receivables from related parties	61,419	-	161,080	-
Inventories	4,666,009	2	3,769,108	1
Other current assets	416,799	-	485,422	-
Total current assets	<u>29,936,189</u>	<u>10</u>	<u>32,132,019</u>	<u>11</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	285,359	-	473,107	-
Investments accounted for using the equity method	201,327,705	64	189,712,813	62
Property, plant and equipment	78,375,027	25	80,375,695	26
Goodwill	958,620	-	958,620	1
Other intangible assets	1,020,259	1	655,689	-
Deferred tax assets	812,546	-	906,821	-
Other financial assets - non-current	222,074	-	209,817	-
Long-term prepayments for lease	13,155	-	80,887	-
Other non-current assets	83,983	-	156,113	-
Total non-current assets	<u>283,098,728</u>	<u>90</u>	<u>273,529,562</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 313,034,917</u>	<u>100</u>	<u>\$ 305,661,581</u>	<u>100</u>

(Continued)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015 (Adjusted)	
	NT\$	%	NT\$	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 4,192,500	1	\$ 11,231,973	4
Short-term bills payable	-	-	4,348,054	1
Financial liabilities at fair value through profit or loss - current	1,550,677	-	2,669,605	1
Trade payables	7,994,777	3	6,801,383	2
Trade payables to related parties	1,027,410	-	910,211	1
Other payables	11,045,976	4	10,565,591	3
Other payables to related parties	46,303,141	15	40,191,954	13
Current tax liabilities	1,582,327	1	1,685,349	1
Current portion of bonds payable	-	-	12,162,192	4
Current portion of long-term borrowings	5,285,722	2	-	-
Other current liabilities	699,394	-	738,805	-
<b>Total current liabilities</b>	<b>79,681,924</b>	<b>26</b>	<b>91,305,117</b>	<b>30</b>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	27,341,557	9	13,938,894	5
Long-term borrowings	41,896,587	13	37,424,607	12
Deferred tax liabilities	3,740,806	1	3,774,152	1
Long-term payables to related parties	40,313	-	-	-
Net defined benefit liabilities	2,516,119	1	2,287,072	1
Other non-current liabilities	462,405	-	297,092	-
<b>Total non-current liabilities</b>	<b>75,997,787</b>	<b>24</b>	<b>57,721,817</b>	<b>19</b>
<b>Total liabilities</b>	<b>155,679,711</b>	<b>50</b>	<b>149,026,934</b>	<b>49</b>
<b>EQUITY</b>				
Share capital				
Ordinary shares	79,364,735	25	79,029,290	26
Shares subscribed in advance	203,305	-	156,370	-
<b>Total share capital</b>	<b>79,568,040</b>	<b>25</b>	<b>79,185,660</b>	<b>26</b>
Capital surplus	22,265,049	7	23,757,099	8
Retained earnings				
Legal reserve	14,597,032	5	12,649,145	4
Special reserve	3,353,938	1	3,353,938	-
Unappropriated earnings	46,747,234	15	39,899,629	13
<b>Total retained earnings</b>	<b>64,698,204</b>	<b>21</b>	<b>55,902,712</b>	<b>17</b>
Other equity	(1,883,574)	(1)	5,081,689	2
Treasury shares	(7,292,513)	(2)	(7,292,513)	(2)
<b>Total equity</b>	<b>157,355,206</b>	<b>50</b>	<b>156,634,647</b>	<b>51</b>
<b>TOTAL</b>	<b>\$ 313,034,917</b>	<b>100</b>	<b>\$ 305,661,581</b>	<b>100</b>

(Concluded)



# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2016		2015	
	NT\$	%	NT\$	%
OPERATING REVENUES	\$ 99,190,777	100	\$ 94,206,807	100
OPERATING COSTS	<u>75,049,226</u>	<u>76</u>	<u>69,059,001</u>	<u>73</u>
GROSS PROFIT	<u>24,141,551</u>	<u>24</u>	<u>25,147,806</u>	<u>27</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,154,570	1	1,100,826	1
General and administrative expenses	5,269,698	5	4,788,073	5
Research and development expenses	<u>5,645,973</u>	<u>6</u>	<u>5,366,121</u>	<u>6</u>
Total operating expenses	<u>12,070,241</u>	<u>12</u>	<u>11,255,020</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>12,071,310</u>	<u>12</u>	<u>13,892,786</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	96,649	-	451,354	-
Other gains, net	943,785	1	722,437	1
Finance costs	(1,676,157 )	(2 )	(1,166,632 )	(1 )
Share of the profit of subsidiaries, associates and joint ventures	<u>12,305,543</u>	<u>12</u>	<u>8,252,050</u>	<u>9</u>
Total non-operating income and expenses	<u>11,669,820</u>	<u>11</u>	<u>8,259,209</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	23,741,130	23	22,151,995	24
INCOME TAX EXPENSE	<u>2,060,791</u>	<u>2</u>	<u>2,954,479</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>21,680,339</u>	<u>21</u>	<u>19,197,516</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(364,628 )	-	39,710	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(99,543 )	-	(119,176 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>61,987</u>	<u>-</u>	<u>(6,751)</u>	<u>-</u>
	<u>(402,184 )</u>	<u>-</u>	<u>(86,217 )</u>	<u>-</u>

(Continued)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2016		2015	
	NT\$	%	NT\$	%
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	\$ (63,777 )	-	\$ (36,166 )	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(6,901,486 )</u>	<u>(7 )</u>	<u>49,316</u>	<u>-</u>
	<u>(6,965,263 )</u>	<u>(7 )</u>	<u>13,150</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(7,367,447 )</u>	<u>(7 )</u>	<u>(73,067 )</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 14,312,892</u></u>	<u><u>14</u></u>	<u><u>\$ 19,124,449</u></u>	<u><u>21</u></u>
<b>EARNINGS PER SHARE</b>				
Basic	<u><u>\$ 2.83</u></u>		<u><u>\$ 2.51</u></u>	
Diluted	<u><u>\$ 2.37</u></u>		<u><u>\$ 2.41</u></u>	

(Concluded)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings					Other Equity			Treasury Shares	Total
	Shares (In Thousands)	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available- for-sale Financial Assets	Total		
BALANCE AT JANUARY 1, 2015	7,861,725	\$ 78,715,179	\$ 16,013,058	\$ 10,289,878	\$ 3,353,938	\$ 38,737,422	\$ 52,381,238	\$ 4,541,761	\$ 526,778	\$ 5,068,539	\$ (1,959,107 )	\$ 150,218,907
Equity component of convertible bonds issued by the Company	-	-	214,022	-	-	-	-	-	-	-	-	214,022
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	150	-	-	-	-	-	-	-	-	150
Net profit for the year ended December 31, 2015 (After adjusted)	-	-	-	-	-	19,197,516	19,197,516	-	-	-	-	19,197,516
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 )
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	19,111,299	19,111,299	(48,191 )	61,341	13,150	-	19,124,449
Appropriation of 2014 earnings												
Legal reserve	-	-	-	2,359,267	-	(2,359,267 )	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	2,359,267	-	(15,589,825 )	(15,589,825 )	-	-	-	-	(15,589,825 )
Acquisition of treasury shares	-	-	-	-	-	(17,949,092 )	(15,589,825 )	-	-	-	(5,333,406 )	(5,333,406 )
Issue of dividends received by subsidiaries from the Company	-	-	292,351	-	-	-	-	-	-	-	-	292,351
Partial disposal of interests in subsidiaries and additional acquisition of majority-owned subsidiaries	-	-	7,197,510	-	-	-	-	-	-	-	-	7,197,510
Changes in the percentage of ownership interest in subsidiary	-	-	(564,344 )	-	-	-	-	-	-	-	-	(564,344 )
Issue of ordinary shares under employee share options	48,703	470,481	604,352	-	-	-	-	-	-	-	-	1,074,833
ADJUSTED BALANCE AT DECEMBER 31, 2015	7,910,428	79,185,660	23,757,099	12,649,145	3,353,938	39,899,629	55,902,712	4,493,570	588,119	5,081,689	(7,292,513 )	156,634,647
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	51,959	-	-	-	-	-	-	-	-	51,959
Net profit for the year ended December 31, 2016	-	-	-	-	-	21,680,339	21,680,339	-	-	-	-	21,680,339
Other comprehensive 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 )
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	21,278,155	21,278,155	(6,136,294 )	(828,969 )	(6,965,263 )	-	14,312,892
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 )
Issue of dividends received by subsidiaries from the Company	-	-	-	1,947,887	-	(14,424,666 )	(12,476,779 )	-	-	-	-	(12,476,779 )
Partial disposal of interests in subsidiaries and additional acquisition of majority-owned subsidiaries	-	-	(20,552 )	-	-	(5,884 )	(5,884 )	-	-	-	-	(26,436 )
Changes in percentage of ownership interest in subsidiaries	-	-	(1,912,887 )	-	-	-	-	-	-	-	-	(1,912,887 )
Issue of ordinary shares under employee share options	35,756	382,380	600,737	-	-	-	-	-	-	-	-	983,117
Additional non-controlling interest arising on issue of employee share options by subsidiaries	-	-	(444,320 )	-	-	-	-	-	-	-	-	(444,320 )
BALANCE AT DECEMBER 31, 2016	7,946,184	\$ 79,568,040	\$ 22,265,049	\$ 14,597,032	\$ 3,353,938	\$ 46,747,234	\$ 64,698,204	\$ (1,642,724 )	\$ (240,850 )	\$ (1,883,574 )	\$ (7,292,513 )	\$ 157,355,206

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>NT\$</b>	<b>(Adjusted) NT\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 23,741,130	\$ 22,151,995
Adjustments for:		
Depreciation expense	15,238,017	14,630,862
Amortization expense	193,110	139,065
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(415,956 )	(2,089,130 )
Finance costs	1,676,157	1,166,632
Compensation cost of employee share options	209,106	89,768
Share of profit of subsidiaries, associates and joint ventures	(12,305,543 )	(8,252,050 )
Impairment loss recognized on financial assets	90,000	-
Impairment loss recognized on non-financial assets	1,131,267	374,201
Others	(415,069 )	984,117
Changes in operating assets and liabilities		
Financial assets held for trading	2,025,990	3,407,552
Trade receivables	(3,795,485 )	2,443,202
Trade receivables from related parties	521,655	2,800,618
Other receivables	(55,464 )	14,924
Other receivables from related parties	2,748	(27,049 )
Inventories	(1,137,565 )	279,328
Other current assets	(35,877 )	(47,362 )
Financial liabilities held for trading	(1,862,453 )	(1,047,740 )
Trade payables	1,193,394	(164,380 )
Trade payables to related parties	117,199	(313,539 )
Other payables	615,344	(1,239,689 )
Other payables to related parties	275,018	9,176
Other current liabilities	(13,125 )	44,553
Net defined benefit liabilities	(135,581 )	(88,872 )
	<u>26,858,017</u>	<u>35,266,182</u>
Dividend received	6,644,388	456,044
Interest paid	(1,105,450 )	(709,474 )
Income tax paid	(2,040,897 )	(1,903,810 )
	<u>30,356,058</u>	<u>33,108,942</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets designated as at fair value through profit or loss	(11,910,813 )	(22,059,285 )
Proceeds on sale of financial assets designated as at fair value through profit or loss	11,946,554	22,404,777
Purchase of available-for-sale financial assets	-	(1,322 )

(Continued)

# ADVANCED SEMICONDUCTOR ENGINEERING, INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>NT\$</b>	<b>(Adjusted) NT\$</b>
Proceeds on sale of available-for-sale financial assets	\$ 33,971	\$ 433,165
Acquisition of equity method investments	(15,816,463 )	(35,673,097 )
Proceeds on sale of equity method investments	792,064	-
Payments for property, plant and equipment	(14,945,941 )	(18,106,610 )
Proceeds from disposal of property, plant and equipment	893,304	114,976
Payments for intangible assets	(396,430 )	(308,562 )
Other investing activities	(649 )	(18,842 )
Net cash used in investing activities	<u>(29,404,403 )</u>	<u>(53,214,800 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayment of short-term borrowings	(7,039,473 )	(404,268 )
Proceeds from (repayment of) short-term bills payable	(4,348,054 )	4,347,406
Proceeds from issue of bonds	9,000,000	6,136,425
Repayment of bonds payable	(8,000,000 )	-
Proceeds from long-term borrowings	60,267,196	36,638,397
Repayment of long-term borrowings	(50,154,795 )	(19,237,092 )
Increase in other payables to related parties	5,583,400	9,431,152
Dividends paid	(12,476,779 )	(15,589,825 )
Proceeds from exercise of employee share options	747,161	1,003,789
Payments for acquisition of treasury shares	-	(5,333,406 )
Other financing activities items	95,694	392,109
Net cash generated from (used in) financing activities	<u>(6,325,650 )</u>	<u>17,384,687</u>
NET DECREASE IN CASH	(5,373,995 )	(2,721,171 )
CASH, AT THE BEGINNING OF THE YEAR	<u>8,533,346</u>	<u>11,254,517</u>
CASH, AT THE END OF THE YEAR	<u>\$ 3,159,351</u>	<u>\$ 8,533,346</u> (Concluded)

Any shareholder who wishes to download the complete financial statements is asked to visit the ASE website

(URL: <http://www.aseglobal.com/en/> )

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**Advanced Semiconductor Engineering, Inc.**  
**Table of Comparison of Procedures for the Acquisition or Disposal of Assets**

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>Article 8: Procedure for Acquisition or Disposal of Real Property or Equipment</p> <p>1. Operating procedures</p> <p>(1) Acquisition or disposal of real property or equipment by the Company shall follow the fixed assets cycle under the Company's internal control system.</p> <p>(2) Degree and levels of authority delegated</p> <p>a. Acquisition or disposal of real property or equipment shall be submitted for approval according to the Company's internal levels of authority.</p> <p>b. The aforementioned levels of authority of the Company shall be submitted to the board of directors. In order to meet business needs or specific deadlines, contracts for an amount up to 1% of the Company's net worth as indicated in the latest financial statements may be entered into with the approval of the chairman and subsequently submitted to be ratified by the next board meeting.</p> <p>c. Acquisition or disposal of assets that are required by the Company Act or other applicable laws to be decided or ratified by the shareholders meeting or reported to the shareholders meeting shall be completed accordingly.</p> <p>(3) Unit responsible for implementation                      The unit responsible for acquisition or disposal of real property and equipment at the Company is the user department and related authorized units.</p> <p>2. Appraisal procedure</p>	<p>Article 8: Procedure for Acquisition or Disposal of Real Property or Equipment</p> <p>1. Operating procedures</p> <p>(1) Acquisition or disposal of real property or equipment by the Company shall follow the fixed assets cycle under the Company's internal control system.</p> <p>(2) Degree and levels of authority delegated</p> <p>a. Acquisition or disposal of real property or equipment shall be submitted for approval according to the Company's internal levels of authority.</p> <p>b. The aforementioned levels of authority of the Company shall be submitted to the board of directors. In order to meet business needs or specific deadlines, contracts for an amount up to 1% of the Company's net worth as indicated in the latest financial statements may be entered into with the approval of the Chairman and subsequently submitted to be ratified by the next board meeting.</p> <p>c. Acquisition or disposal of assets that are required by the Company Act or other applicable laws to be decided or ratified by the shareholders meeting or reported to the shareholders meeting shall be completed accordingly.</p> <p>(3) Unit responsible for implementation                      The unit responsible for acquisition or disposal of real property and equipment at the Company is the user department and related authorized units.</p> <p>2. Appraisal procedure:</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>(1) For acquisition or disposal of real property and equipment at the Company, the unit responsible for implementation shall draft a capital expenditure plan in advance and perform a feasibility analysis on the purpose and expected benefits of the acquisition or disposal.</p> <p>(2) Means of price determination and supporting reference materials</p> <p>a. Acquisition or disposal of real property shall be based on published value, appraised value, actual sale prices of neighboring properties, final terms and prices.</p> <p>b. Acquisition or disposal of equipment shall be based on negotiation or tender.</p> <p>3. The Company, when acquiring or disposing of real property or equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser insofar as such real property or equipment meets prescribed standards.</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction</p>	<p>(1) For acquisition or disposal of real property and equipment at the Company, the unit responsible for implementation shall draft a capital expenditure plan in advance and perform a feasibility analysis on the purpose and expected benefits of the acquisition or disposal.</p> <p>(2) Means of price determination and supporting reference materials:</p> <p>a.Acquisition or disposal of real property shall be based on published value, appraised value, actual sale prices of neighboring properties, final terms and prices.</p> <p>b.Acquisition or disposal of equipment shall be based on negotiation or tender.</p> <p>3. The Company, when acquiring or disposing of real property or equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser insofar as such real property or equipment meets prescribed standards.</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction</p>



<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF of the ROC and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided that where the publicly announced current</p>	<p>shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF of the ROC and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided that where the publicly announced current</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>
<p>Article 9: Procedure for Acquisition or Disposal of Memberships or Intangible Assets</p> <p>1. Appraisal and operating procedures</p> <p>(1) Acquisition or disposal of memberships or intangible assets by the Company shall follow the investment cycle under the Company's internal control system.</p> <p>(2) Terms and price of transaction, degree and levels of authority delegated</p> <p>a.Acquisition or disposal of memberships shall be based on fair market prices to determine the transaction terms and prices, which will be placed in analysis reports to be approved according to the levels of authority in the Company.</p> <p>b.Acquisition or disposal of intangible assets shall be based on expert opinions or fair market prices to determine the transaction terms and prices, which will be placed in analysis reports to be approved according to the levels of authority in the Company.</p> <p>(3) Unit responsible for implementation</p> <p>When acquiring or disposing of a membership or intangible asset, the Company shall follow the decisions approved by the levels of authority referred to in the preceding paragraph, and assign the user department or the procurement department to execute the decisions.</p> <p>2. When acquiring or disposing of memberships or intangible assets above certain amounts, the</p>	<p>Article 9: Procedure for Acquisition or Disposal of Memberships or Intangible Assets</p> <p>1. Appraisal and operating procedures</p> <p>(1) Acquisition or disposal of memberships or intangible assets by the Company shall follow the investment cycle under the Company's internal control system.</p> <p>(2) Terms and price of transaction, degree and levels of authority delegated</p> <p>a.Acquisition or disposal of memberships shall be based on fair market prices to determine the transaction terms and prices, which will be placed in analysis reports to be approved according to the levels of authority in the Company.</p> <p>b.Acquisition or disposal of intangible assets shall be based on expert opinions or fair market prices to determine the transaction terms and prices, which will be placed in analysis reports to be approved according to the levels of authority in the Company.</p> <p>(3) Unit responsible for implementation</p> <p>When acquiring or disposing of a membership or intangible asset, the Company shall follow the decisions approved by the levels of authority referred to in the preceding paragraph, and assign the user department or the procurement department to execute the decisions.</p> <p>2. When acquiring or disposing of memberships or intangible assets above certain amounts, the</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price.</p> <p>If the dollar amount of memberships or intangible assets to be acquired or disposed of by the Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF of the ROC.</p>	<p>Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price.</p> <p>If the dollar amount of memberships or intangible assets to be acquired or disposed of by the Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF of the ROC.</p>
<p>Article 13: Operating Procedures for Related Party Transactions</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the specific related party as the trading counterparty.</li> </ol>	<p>Article 13: Operating Procedures for Related Party Transactions</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of domestic money market funds issued by securities investment trust enterprises</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the specific related party as the trading counterparty.</li> </ol>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15.</p>	<p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15.</p>
<p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p>	<p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p>
<p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p>	<p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p>
<p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p>	<p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p>
<p>7. Restrictive covenants and other important stipulations associated with the transaction.</p>	<p>7. Restrictive covenants and other important stipulations associated with the transaction.</p>
<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2, Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p>	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2, Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p>
<p>With respect to the acquisition or disposal of equipment for business use between the Company and its parent or subsidiaries, if the transaction amount does not exceed 1% of the Company's net worth as indicated in the latest financial statements, the Chairman of the Board shall be delegated the authority to decide such matters and the decisions shall be subsequently submitted to and ratified by the next Board of Directors meeting.</p>	<p>With respect to the acquisition or disposal of equipment for business use between the Company and its parent or subsidiaries, if the transaction amount does not exceed 1% of the Company's net worth as indicated in the latest financial statements, the Chairman of the Board shall be delegated the authority to decide such matters and the decisions shall be subsequently submitted to and ratified by the next Board of Directors meeting.</p>
<p>If the Company has created the position of independent director pursuant to the provisions of the Securities and Exchange Act, and if a matter is submitted for discussion by the Board of Directors in accordance with the provisions of Paragraph 1</p>	<p>If the Company has created the position of independent director pursuant to the provisions of the Securities and Exchange Act, and if a matter is submitted for discussion by the Board of Directors in accordance with the provisions of Paragraph 1</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>and Paragraph 3, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>Where an audit committee has been established in accordance with the provisions of the Securities and Exchange Act, the matters for which paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in Paragraph 5 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>and Paragraph 3, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>Where an audit committee has been established in accordance with the provisions of the Securities and Exchange Act, the matters for which paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in Paragraph 5 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>
<p>Article 26: Appraisal and operating procedures</p> <p>When participating in a merger, demerger, acquisition or transfer of shares, it is advisable for the Company to engage an attorney, a certified public accountant and an underwriter to jointly develop an estimated schedule for the procedures prescribed by law, and a task force shall be organized to implement the actions in accordance with these procedures. Furthermore, prior to convening the Board of Directors meeting to resolve the matter, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p>	<p>Article 26: Appraisal and operating procedures</p> <p>When participating in a merger, demerger, acquisition or transfer of shares, it is advisable for the Company to engage an attorney, a certified public accountant and an underwriter to jointly develop an estimated schedule for the procedures prescribed by law, and a task force shall be organized to implement the actions in accordance with these procedures. Furthermore, prior to convening the Board of Directors meeting to resolve the matter, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>The requirement for an opinion of the aforesaid experts is waived if the Company merges with a subsidiary in which it holds 100 percent of its</u></p>

BEFORE Amendment	AFTER Amendment
	<u>shares or total capital whether directly or indirectly, or if a merger takes place between subsidiaries in which the Company holds 100 percent of their shares or total capital, whether directly or indirectly.</u>
<p>Article 31: Public Announcement and Regulatory Filing Procedures</p> <p>1. Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million. This excludes trading of government bonds, bond repurchases/resales, and subscription or redemption of domestic money market funds.</p> <p>(2) Engaging in a merger, demerger, acquisition or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Paragraph 2, Article 18 herein.</p> <p>(4) Where an asset transaction other than any of those referred to in the preceding four subparagraphs or an investment in mainland China reaches 20% or more of the Company's paid-in capital or NT\$300</p>	<p>Article 31: Public Announcement and Regulatory Filing Procedures</p> <p>1. Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million. This excludes trading of government bonds, bond repurchases/resales, and subscription or <u>repurchases</u> of domestic money market funds <u>issued by securities investment trust enterprises.</u></p> <p>(2) Engaging in a merger, demerger, acquisition or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Paragraph 2, Article 18 herein.</p>

BEFORE Amendment	AFTER Amendment
<p>million; provided, this shall not apply to the following circumstances:</p> <p>a. Trading of government bonds.</p> <p>b. Trading of government bonds, bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>c. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>d. <u>Where the subsidiary of the Company is a professional investment firm and is engaged in securities trading on foreign or domestic securities exchanges or over-the-counter markets.</u></p> <p>e. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p>	<p>(4) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$<u>1 billion</u>.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs or an investment in mainland China reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>a. Trading of government bonds.</p> <p>b. Bond repurchases/resales, subscription</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>2. The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>(1) The amount of any individual transaction.</li> <li>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>3. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions herein need not be counted toward the transaction amount.</p> <p>4. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>5. Where any of the following circumstances</p>	<p style="text-align: center;">or <u>repurchase</u> of domestic money market funds <u>issued by securities investment trust enterprises</u>.</p> <p>2. The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>(1) The amount of any individual transaction.</li> <li>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>3. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions herein need not be counted toward the transaction amount.</p> <p>4. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>5. Where any of the following circumstances</p>



<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days commencing immediately from the date of occurrence of the event:</p>	<p>occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days commencing immediately from the date of occurrence of the event:</p>
<p>(1) Change, termination or rescission of a contract signed in regard to the original transaction.</p>	<p>(1) Change, termination or rescission of a contract signed in regard to the original transaction.</p>
<p>(2) The merger, demerger, acquisition or transfer of shares is not completed by the scheduled date set forth in the contract.</p>	<p>(2) The merger, demerger, acquisition or transfer of shares is not completed by the scheduled date set forth in the contract.</p>
<p>(3) Change to the originally publicly announced and reported information.</p>	<p>(3) Change to the originally publicly announced and reported information.</p>
<p>6. At the time of public announcement, if the Company makes an error or omission in an item required by regulations to be publicly announced and is therefore required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	<p>6. At the time of public announcement, if the Company makes an error or omission in an item required by regulations to be publicly announced and is therefore required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days of such error or omission becoming known to the Company.</u></p>
<p>7. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where another act provides otherwise.</p>	<p>7. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where another act of law provides otherwise.</p>
<p>8. If a subsidiary of the Company is not a domestic publically-listed company and the acquisition or disposal of the assets by the subsidiary meets the above public announcement and regulatory filing requirements, the Company shall conduct the public announcement and regulatory filing</p>	<p>8. If a subsidiary of the Company is not a domestic publically-listed company, and its acquisition or disposal of assets by the subsidiary meets the standard for filing of public notice under the <u>"Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</u>,</p>

<b>BEFORE Amendment</b>	<b>AFTER Amendment</b>
<p>on its behalf. However, the "20% of paid-in capital or 10% of total assets" requirement that is applicable to the subsidiary's public announcement and regulatory filing refers to the Company's paid-in capital or total assets.</p>	<p>the Company shall undertake public announcement and notice on its behalf. With regard to the threshold for announcement or reporting by subsidiaries prescribed above, the "20% of paid-in capital or 10% of total assets" requirement refers to the Company's paid-in capital or total assets.</p>

## **Advanced Semiconductor Engineering, Inc.**

### **Rules of Procedure for the Shareholders' Meeting**

1. The Shareholders' Meeting of ASE shall be conducted in accordance with the Rules specified herein.
2. Shareholders attending the meeting in person (or their proxies) shall wear attendance badges and shall submit sign-in cards in lieu of signing in. ASE's weight of share ownership in attendance shall be based on the weight of share ownership described in the preceding, plus the weight of share ownership exercised via electronic voting.
3. Unless specified in Article 179 of the Company Act where there is no voting right entitled or such right is restricted by the applicable rules under the Company Act, a shareholder of ASE shall be entitled to one vote for each share held. When a shareholder is unable to attend the shareholders' meeting for whatever the reason, the shareholder may present a proxy statement printed by ASE that states the scope of authorization to entrust a proxy to attend the shareholders' meeting. With the exception of trust enterprises or stock affairs agencies approved by the competent securities authority, the votes that may be cast by one proxy representing two or more shareholders shall not exceed three percent of the votes of total shares issued; any votes in excess of that limit shall not be counted.

A shareholder may only execute one power of attorney and appoint one proxy only, which shall be delivered to ASE at least five days prior to the shareholders meeting. In case of overlapping proxies, the first one to arrive at ASE shall apply. Exception applies if one of the proxy forms is rescinded.

If a proxy has already been delivered to ASE and the shareholder wishes to personally attend the meeting or exercise his or her voting rights by electronic means, the concerned shareholder should notify ASE in writing two days prior to the shareholders' meeting to rescind the notice for proxy. If the shareholder fails to do so by the deadline, the voting right cast by the trustee agent shall govern.

4. Venue of shareholders meetings shall be where ASE is located or a different location convenient for shareholders to attend and for the meeting to be held with a commencement time no earlier than 9.00 a.m. or later than 3.00 p.m.

5. Unless otherwise stipulated in the Company Act, shareholders meetings shall be convened by the board and chaired by ASE Chairman. Article 208 Paragraph 3 of the Company Act shall be followed if the Chairman is on leave or unable to exercise his/her official functions for whatever the reason. If a shareholders meeting is convened by someone having the right to convene a meeting, but who is not a member of the Board of Directors, the said person shall chair the meeting. If more than one person has the right to convene the meeting, one shall be elected to chair the meeting.
6. ASE may designate retained lawyers, certified public accountants or relevant personnel to attend the shareholders' meeting. Staff handling administrative affairs of the shareholders' meeting shall wear identification badges or arm-bands.
7. ASE shall record the whole course of the shareholders' meeting on audio tape or video tape, and shall keep the tapes on file for at least one year.
8. The chairperson shall announce the commencement of the meeting when the scheduled time arrives. If the number of shareholders present represent less than half of all voting rights, the chairperson may delay the meeting. A meeting may be delayed twice for a combined maximum of one hour. If after two postponements the number of shareholders present is still insufficient while representing at least one third of the total issued shares, provisional resolutions may be adopted in accordance with Article 175 Paragraph 1 of the Company Act. If prior to the end of the meeting the shareholders present represent at least half of the total issued shares, the chairperson may resubmit the provisional resolutions adopted by the meeting for a vote in accordance with Article 174 of the Company Act.

9. Agenda of a shareholders meeting called by the board shall be decided by the board. The meeting shall proceed according to the agenda unless changed by a shareholders meeting resolution.

If the shareholders' meeting is convened by someone entitled to convene such a meeting but who is not a member of the Board of Directors, the rules of the preceding paragraph shall apply *mutatis mutandis*.

Unless by the resolution of the shareholders' meeting, the chairperson may not declare the meeting ended until all items on the agenda (including extemporaneous motions) arranged in the preceding two paragraphs have been completed.

After the meeting is declared ended, shareholders may not elect a chairperson to resume the meeting at the original location or at any other premises, unless such declaration by the chairperson has violated the rules of procedure, whereas one person may be elected the chairperson with the consent of one half of the votes represented by shareholders present to resume the meeting.

10. While the shareholders' meeting is in session, the chairperson may at his/her discretion allocate and announce time for breaks.

11. Before a shareholder present at the meeting speaks, he/she shall first fill out a statement slip stating therein the main points of the statement, the shareholder's account number (or the attendance identification number) and account name, so that the chairperson may determine the order of speaking. A shareholder present at the meeting that merely submits a statement slip without speaking is considered not to have spoken. If the contents of the statement do not conform to the contents of the statement slip, the contents of the statement shall govern. Unless given consent by the chairperson and the speaking shareholder, other shareholders may not speak to interrupt when a shareholder is speaking; otherwise the chairperson shall stop the interruption.

12. Unless permitted by the chairperson, no shareholder may speak more than twice regarding the same proposal, and shall not speak for more than five minutes each time.

If a shareholder violates the rules outlined in the preceding paragraph or goes beyond the scope of proposals in speaking, the chairperson may stop him/her from speaking.

13. An institutional shareholder may assign only one proxy representative to attend the meeting on its behalf. In the event an institutional shareholder assigns two or more representatives to attend the shareholders' meeting, only one of the representatives may speak on any single agenda item.
14. After a shareholder present at the meeting speaks, the chairperson may reply in person or assign relevant personnel to reply.
15. With respect to discussions of a proposal, if the chairperson feels that a consensus has been reached where a vote can be taken on the proposal, he/she may announce that the discussions shall cease and the proposal be submitted for a vote.
16. The chairperson shall appoint monitors and ballot counters for voting on proposals. For qualifications, monitors must be shareholders. The results of each vote shall be announced on the spot and made into the minutes.
17. Unless otherwise provided by the Company Act or ASE's Articles of Incorporation, a proposal shall be approved by the consent of more than half of the votes of shares represented by shareholders present. In voting, a proposal is considered approved if the chairperson receives no dissenting opinions after requesting, which has the same effect as voting by ballot.
18. Where there is an amendment or an alternative for a proposal, the chairperson shall determine the order in which they are to be voted on with the original proposal. If any of these proposals is approved, alternative proposals shall be treated as rejected and not be voted on separately.
19. The chairperson may instruct the inspectors (or security personnel) to assist in maintaining order in the meeting venue. While assisting in maintaining order at the venue, the inspectors (or security personnel) shall wear arm-bands reading "Inspector."
20. All matters not provided by these Rules herein shall be handled in accordance with the Company Act, relevant laws and regulations, as well as ASE's Articles of Incorporation.
21. These Rules shall come into force on the approval of the shareholders' meeting, as shall any amendment.

## **Advanced Semiconductor Engineering, Inc.**

### **Articles of Incorporation**

#### **Chapter I General Rules**

- Article 1 : ASE is organized in accordance with the rules of the Company Act that governs companies limited by shares, and is named Advanced Semiconductor Engineering, Inc.
- Article 2 : Businesses operated by ASE:
1. Manufacture, assembly, reprocessing, testing and export of integrated circuits of various types.
  2. Research and development, design, manufacture, assembly, reprocessing, testing and export of various computer, electronic, communications and information products, as well as their peripherals and parts.
  3. General export/import trades, excluding businesses requiring special permission.
  4. CC01080 Electronic components manufacturing industry
  5. CC01990 Other electrical, electronic and mechanical equipment manufacturing industry (IC lead frame, BGA substrate and FC substrate)
  6. F119010 Electronic material wholesale business
  7. F219010 Electronic material retail business
  8. I199990 Other consultant service (technological and consultant service of IC lead frame, BGA substrate and FC substrate)
  9. JE01010 Leasing business
  10. ZZ99999 Engagement in business that are not prohibited or restricted by law with the exception of businesses requiring permit.
- Article 3 : Where ASE invests in another company as a limited liability shareholder, it is not subject to the restriction imposed by the Company Act providing that such investment shall not exceed a specified percentage of the total paid-in capital.
- Article 4 : The Company may provide external guarantees.
- Article 5 : ASE is headquartered in the Nanzi Export Processing Zone, Kaohsiung City, Taiwan. Branches, offices or business locations may be set up in Taiwan or overseas with board resolutions.

#### **Chapter II Shares**

- Article 6 : ASE's registered capital is NT\$100 billion, divided into 10 billion shares with a face value of NT\$10 per share. Stock options worth NT\$8 billion are set aside for employee subscription. The board is authorized to issue the remainder in several batches.
- Article 7 : Share certificates of ASE are all registered in form, which shall be signed or affixed with seal by more than three directors as well as duly attested before

they can be issued. According to Article 162-2 of the Company Act, ASE may choose to not provide share certificates in printed form.

- Article 8 : Title transfer of stocks shall be suspended within sixty days before the AGM is held, within thirty days before a shareholders' provisional meeting is held, or within five days before the base date for distribution of stock dividends and bonuses or other benefits determined by ASE.
- Article 9 : ASE's processing rules of stock affairs shall fully comply with pertinent laws and regulations promulgated by the authorities concerned.

### **Chapter III Shareholders' Meeting**

- Article 10 : ASE holds general and provisional shareholders' meetings. A general meeting is called by the board once a year within six months after the end of a fiscal year according to law. The provisional meeting is convened when necessary according to law.
- Article 11 : To convene the AGM and the shareholders' provisional meeting, ASE shall inform each and every shareholder of the date, venue and purpose of convening the meeting thirty days and fifteen days respectively in advance before the meeting is held.
- Article 12 : Unless otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.
- Article 13 : Unless specified in Article 179 of The Company Act whereas no voting right is entitled, a shareholder of the Company shall be entitled to one vote for each share held.
- Article 14 : If a shareholder is unable to attend the shareholders' meeting for whatever the reason, he/she may present a proxy statement printed by ASE, stating therein the scope of authorization to entrust a proxy to appear on his/her behalf. The above proxy statement shall be delivered to ASE five days in advance of the shareholders' meeting being held.
- Article 15 : Unless otherwise stipulated in the Company Act, shareholders meetings shall be convened by the board and chaired by ASE Chairman. Article 208 Paragraph 3 of the Company Act shall be followed if the Chairman is on leave or unable to exercise his/her official functions for whatever the reason. If a shareholders meeting is convened by someone having the right to convene a meeting, but who is not a member of the Board of Directors, the said person shall chair the meeting. If more than one person has the right to convene the meeting, one shall be elected to chair the meeting.

### **Chapter IV Directors**



- Article 16 : ASE shall have 11 to 15 directors, of which there shall be three independent directors and eight to 12 non-independent directors. Each director and supervisor shall hold office for a term of three years, and may continue to serve if re-elected.
- Election of directors should be handled according to Article 198 of the Company Act and applicable laws and regulations.
- When handling the aforementioned election of directors, the election of independent directors and non-independent directors should be held concurrently, with the names of the elected separately calculated, and those that receive the ballots representing the greatest number of voting rights will be elected as independent directors or non-independent directors.
- The supervisors shall be replaced by an audit committee that ASE will establish in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall be responsible for exercising the powers of supervisors under the Company Act, the Securities and Exchange Act, and other applicable laws. The Audit Committee shall consist of all independent directors and its powers and related matters shall be devised by the Board of Directors in accordance with the applicable laws.
- Article 16-1 : Directors shall be elected via the candidate nomination system. Shareholders retaining at least 1% of all outstanding shares and the board may nominate candidates for directorship. A list of candidates determined at board meetings to meet the criteria for being elected directors are submitted by the board to the shareholders meeting for consideration; if the shareholder's meeting is convened by another person with the authority to convene the meeting, after the person with the authority to convene the meeting examines the qualifications of the candidate(s) for serving as an director, the names are sent to the shareholder's meeting for election. All matters regarding the acceptance method and announcement of the nomination of candidates for director will be handled according to the Company Act, the Securities Exchange Law, and other applicable laws and regulations.
- Article 16-2 : Remuneration of independent directors shall be NT\$3 million per person per year. If an independent director serves on the board for less than a year, s/he shall be paid pro rata for the number of days served. An independent director of ASE, if also serving as a member of ASE's Remuneration Committee, shall receive compensation of NT\$360,000 per year. If the term of service is less than one year, the actual compensation received shall be calculated on a pro-rata basis for the actual number of days served.
- Article 17 : The Board of Directors shall be organized by the directors whose functions are as follows:
- (1) Preparing the business plan.
  - (2) Making proposals regarding profit distribution or loss replenishment.
  - (3) Making proposals regarding capital increase/decrease.
  - (4) Reviewing and approving important rules and contracts.
  - (5) Appointing and dismissing the president of the Company.

- (6) Establishing and dissolving branch organizations of ASE.
- (7) Reviewing and approving budgets.
- (8) Other functions vested by The Company Act or by the resolution of the shareholders' meeting.

- Article 18 : The Board of Directors shall be comprised of the directors. The chairman shall be elected from among the directors with at least two thirds in attendance and over half of those attending voting for him/her. A vice chairman may be elected in the same way. The chairman represents ASE in its external dealings. When the chairperson is on leave or unable to exercise his/her official functions for whatever the reason, an acting chairperson shall be designated in accordance with Article 208 of the Company Act.
- Article 19 : Unless otherwise provided by the Company Act, the board meeting shall be convened by the chairperson according to law. The meeting should be held at the location of ASE or any suitable location convenient for the directors, or by video conference.
- Article 19-1 : Individual directors and supervisors shall be notified of a board meeting to be called for with proper statement of the causes seven days in advance. In an emergency, a board meeting may be called at any time.  
Notifications of board meetings may be in writing or via email or fax.
- Article 20 : A director may present a written proxy statement to entrust another director as proxy to attend the board meeting and exercise voting rights on his/her behalf, but each director may act as a proxy for only one other director.

#### **Chapter V Manager**

- Article 21 : ASE shall have one president, whose appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act.

#### **Chapter VI Accounting**

- Article 22 : ASE's fiscal year shall run from January 1 to December 31. At the end of each fiscal year, the Board of Directors shall prepare the various statements and reports as required by the Company Act and submit them to the AGM for ratification according to law.

Article 23 : If the Company has profit for the year, 5.25% or more and 8.25% or less of the income shall be set aside as remunerations to employees, and 0.75% or less of the income shall be distributed as director remuneration. However, if the Company has accumulated loss, a portion shall be reserved in advance for making up losses.

Regarding the aforementioned employee remuneration, the 5.25% portion shall be distributed to all employees in accordance with the employee remuneration distribution rules, while the portion exceeding 5.25% shall be distributed to individual employees (having special contributions) in accordance with the rules made by the Board of Directors with the authority granted hereby.

Where employee remuneration is distributed in the form of stock or cash, it shall be resolved by a majority vote at a meeting attended by more than two thirds of the directors and shall be reported at the shareholders' meeting.

Employees referred to in the three subparagraphs include employees of subsidiary companies that meet certain conditions, which are to be prescribed by the Board of Directors.

Article 23-1 : ASE's net profits each year after the actual budget shall be distributed in the following order:

(1) Make up losses.

(2) Allocation of 10% as statutory surplus reserve.

(3) Allocation or reversal of a special surplus reserve in accordance with laws or regulations set forth by the authorities concerned.

(4) Addition or deduction of the portion of retained earnings that are equity investment gains or losses that have been realized or measured at fair value through other overall gains or losses.

The remaining balance shall be added to the previous-year undistributed earnings, and the Board of Directors shall devise a dividend distribution proposal, which shall be submitted to a meeting of shareholders for resolution.

Article 24 : ASE is now at the stage of steady growth. To provide ASE with the funds it needs to expand and satisfy shareholders' desire for cash inflow, ASE adopts a Residual Dividend Policy. With which, cash dividends shall not fall below 30% of all dividends, with the remainder distributed in the form of stock dividends. Dividend distribution proposals shall be drafted by the board and approved by the AGM before they are implemented.

#### **Chapter VII Supplementary Provisions**

Article 25 : The Articles of Incorporation and By-Laws of ASE shall be separately established.

Article 26 : Any matters that are not completely provided by the Articles of Incorporation shall be handled in accordance with the Company Act.

Article 27 : The Articles of Incorporation were established by the founders meeting under the agreement of all founders on March 11, 1984, and the first amendment was made on May 3, 1984.

The first amendment was made on May 3, 1984.

The second amendment was made on June 11, 1984.

The third amendment was made on June 25, 1984.  
The fourth amendment was made on May 28, 1986.  
The fifth amendment was made on July 10, 1986.  
The sixth amendment was made on August 15, 1987.  
The seventh amendment was made on May 28, 1988.  
The eighth amendment was made on July 18, 1988.  
The ninth amendment was made on September 1, 1988.  
The tenth amendment was made on October 30, 1988.  
The eleventh amendment was made on November 24, 1988.  
The twelfth amendment was made on December 5, 1988.  
The thirteenth amendment was made on February 21, 1989.  
The fourteenth amendment was made on December 11, 1989.  
The fifteenth amendment was made on March 31, 1990.  
The sixteenth amendment was made on March 30, 1991.  
The seventeenth amendment was made on April 11, 1992.  
The eighteenth amendment was made on April 28, 1993.  
The nineteenth amendment was made on March 21, 1994.  
The twentieth amendment was made on March 21, 1995.  
The twenty-first amendment was made on April 8, 1996.  
The twenty-second amendment was made on April 12, 1997.  
The twenty-third amendment was made on March 21, 1998.  
The twenty-fourth amendment was made on June 9, 1999.  
The twenty-fifth amendment was made on July 11, 2000.  
The twenty-sixth amendment was made on June 1, 2001.  
The twenty-seventh amendment was made on June 21, 2002.  
The twenty-eighth amendment was made on June 21, 2002.  
The twenty-ninth amendment was made on June 19, 2003.  
The thirtieth amendment was made on June 19, 2003.  
The thirty-first amendment was made on June 15, 2004.  
The thirty-second amendment was made on June 30, 2005.  
The thirty-third amendment was made on June 21, 2006.  
The thirty-fourth amendment was made on June 28, 2007.  
The thirty-fifth amendment was made on June 19, 2008.  
The thirty-sixth amendment was made on June 25, 2009.  
The thirty-seventh amendment was made on June 14, 2010.  
The thirty-eighth amendment was made on June 28, 2011.  
The thirty-ninth amendment was made on June 21, 2012.  
The fortieth amendment was made on June 26, 2013.  
The forty-first amendment was made on June 26, 2014.  
The forty-second amendment was to be made on June 23, 2015.  
The forty-third amendment was made on June 28, 2016.

### Status of Holdings of Directors

- I. In accordance with Article 26 of the Securities and Exchange Act, all directors of the Company shall hold at least 132,859,619 shares.
- II. As of the ex-dividend date (April 30, 2017) shares retained by directors and supervisors are as follows:

April 30, 2017

Title	Name	Current Holdings	
		Number of shares	Percentage of shares
Director	Richard H.P. Chang (Vice Chairman)	227,394,287	2.74%
Director	Rutherford Chang	3,155,294	0.04%
Director	A.S.E. Enterprises Limited	1,368,655,773	16.48%
	Represented by: Jason C.S. Chang (Chairman)		
	Represented by: Tien Wu		
	Represented by: Joseph Tung		
	Represented by: Raymond Lo		
	Represented by: Jeffery Chen		
	Represented by: TS Chen		
Independent Directors	Sheng-Fu You	0	—
	Ta-Lin Hsu	0	—
	Mei-Yue Ho	0	—

Note 1: As of the ex-dividend date, a total of 1,599,205,354 shares were retained by all directors, which meets the requirement under Article 26 of the Securities Exchange Act.

Note 2: The Company has established an Audit Committee; therefore, there is no applicable information on the number of shares retained by supervisors.

**Impact upon Business Performance, EPS and Shareholders' ROI  
from Non-remunerative Share Allotment**

Not Application.

The dividend will be all distributed in cash for the year, not relative of the Non-remunerative Share Allotment.

# **Summary of Corporate Governance Differences**

**Item 16G. Corporate Governance**

As a company listed on the NYSE, we are subject to certain corporate governance rules of the NYSE. The application of the NYSE’s corporate governance rules is limited for foreign private issuers, recognizing that they have to comply with domestic requirements. As a foreign private issuer, we must comply with the following NYSE corporate governance rules: 1) satisfy the audit committee requirements of the SEC; 2) chief executive officer must promptly notify the NYSE in writing upon becoming aware of any material non-compliance with applicable NYSE corporate governance rules; 3) submit annual and interim affirmations to the NYSE regarding compliance with applicable NYSE corporate governance requirements; and 4) provide a brief description of any significant differences between our corporate governance practices and those required of U.S. companies under the NYSE listing standards. The table below sets forth the significant differences between our corporate governance practices and those required of U.S. companies under the NYSE listing standards.

New York Stock Exchange Corporate Governance Rules Applicable to U.S. Companies	Description of Significant Differences between Our Governance Practices and the NYSE Corporate Governance Rules Applicable to U.S. Companies
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**Director independence**

Listed companies must have a majority of independent directors, as defined under the NYSE listing standards.

Three members of our board of directors are independent as defined in Rule 10A-3 under the Exchange Act. We do not assess the independence of our directors under the independence requirements of the NYSE listing standards. Pursuant to relevant laws and regulations of the ROC, we have three independent directors on our board of directors that were elected through the candidate nomination system at our annual general meeting on June 23, 2015.

To empower non-management directors to serve as a more effective check on management, the non-management directors of each company must meet at regularly scheduled executive sessions without management.

All of our directors attend the meetings of the board of directors. Our non-management directors do not meet at regularly scheduled executive sessions without management. The ROC Company Law does not require companies incorporated in the ROC to have their non-management directors meet at regularly scheduled executive sessions without management.

**Nominating/Corporate governance committee**

Listed companies must have a nominating/corporate governance committee composed entirely of independent directors and governed by a written charter that provides for certain responsibilities of the committee set out in the NYSE listing standards.

We do not have a nominating/corporate governance committee. The ROC Company Law does not require companies incorporated in the ROC to have a nominating/corporate governance committee. Currently, our board of directors performs the duties of a corporate governance committee and regularly reviews our corporate governance principles and practices.

The ROC Company Law requires that directors be elected by shareholders. Under ROC law and regulations, companies that have independent directors are required to adopt a candidate nomination system for the election of independent directors. Our three independent directors were



### **Compensation committee**

Listed companies must have a compensation committee composed entirely of independent directors and governed by a written charter that provides for certain responsibilities of the committee set out in the NYSE listing standards.

In addition to any requirement of Rule 10A-3(b)(1), all compensation committee members must satisfy the independence requirements for independent directors set out in the NYSE listing standards.

### **Audit committee**

Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

The audit committee must have a minimum of three members. In addition to any requirement of Rule 10A-3(b)(1), all audit committee members must satisfy the independence requirements for independent directors set out in the NYSE listing standards.

The audit committee must have a written charter that provides for the duties and responsibilities set out in Rule 10A-3 and addresses certain other matters required by the NYSE listing standards.

electd through the candidate nomination system provided in our Articles of Incorporation. All of our non-independent directors were elected directly by our shareholders at our shareholders meetings without a nomination process.

We established a compensation committee on September 29, 2011 as required by the regulations promulgated by the FSC in March 2011. The charter of such committee contains similar responsibilities as those provided under NYSE listing standards.

We do not assess the independence of our compensation committee member under the independence requirements of the NYSE listing standards but adopt the independence standard as promulgated under the ROC Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

We have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act and the requirements under ROC Securities and Exchange Act.

We currently have three members on our audit committee. Our audit committee members satisfy the independence requirements of Rule 10A-3 under the Exchange Act. We do not assess the independence of our audit committee member under the independence requirements of the NYSE listing standards.

Our audit committee charter provides for the audit committee to assist our board of directors in its oversight of (i) the integrity of our financial statements, (ii) the qualifications, independence and performance of our independent auditor and (iii) our compliance with legal and regulatory requirements and provides for the duties and responsibilities set out in Rule 10A-3. Our audit committee charter does not address all the matters required by the NYSE listing standards beyond the requirements of Rule 10A-3.

Because the appointment and retention of our independent auditor are the responsibility of our entire board of directors under ROC law and regulations, our audit committee charter provides that the audit committee shall make recommendations to the board of directors with

Each listed company must have an internal audit function.

respect to these matters.

We have an internal audit function. Under the ROC Regulations for the Establishment of Internal Control Systems by Public Companies, a public company is required to set out its internal control systems in writing, including internal audit implementation rules, which must be approved by the board of directors. Our entire board of directors and the Chief Executive Officer are responsible for the establishment of the internal audit functions, compliance with the internal audit implementation rules and oversight of our internal control systems, including the appointment and retention of our independent auditor.

### **Equity compensation plans**

Shareholders must be given the opportunity to vote on all equity compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans.

The board of directors has authority under ROC laws and regulations to approve (i) the distribution of employee compensation and (ii) employee stock option plans by a majority vote of the board of directors at a meeting where at least two-thirds of all directors are present and to grant options to employees pursuant to such plans provided that shareholders' approval is required if the exercise price of an option would be less than the closing price of the common shares on the TWSE on the grant date of the option, subject to the approval of the Securities and Futures Bureau of the FSC, and to approve treasury stock programs and the transfer of shares to employees under such programs by a majority vote of the board of directors in a meeting where at least two-thirds of all directors are present.

### **Corporate governance guidelines**

Listed companies must adopt and disclose corporate governance guidelines.

We currently comply with the domestic non-binding Corporate Governance Best-Practice Principles for TWSE and Taipei Exchange Listed Companies promulgated by the TWSE and the Taipei Exchange, and we provide an explanation of the differences between our practice and the principles, if any, in our ROC annual report.

### **Code of ethics for directors, officers and employees**

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted a code of ethics that satisfies the requirements of Item 16B of Form 20-F and applies to all employees, officers, supervisors and directors of our company and our subsidiaries and will disclose any waivers of the code as required by Item 16B of Form 20-F. We have posted our code of ethics on our website.

**Description of significant differences**

Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards.

This table contains the significant differences between our corporate governance practices and those required of U.S. companies under the NYSE listing standards.

**CEO certification**

Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.

As a foreign private issuer, we are not required to comply with this rule; however, our Chief Executive Officer provides certifications under Sections 302 and 906 of the Sarbanes-Oxley Act.

Each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of Section 303A.

We intend to comply with this requirement.

Each listed company must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation each time a change occurs to the board or any of the committees subject to Section 303A. The annual and interim Written Affirmations must be in the form specified by the NYSE.

We have complied with this requirement to date and intend to continue to comply going forward.

**Website**

Listed companies must have and maintain a publicly accessible website.

We have and maintain a publicly accessible website.



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