

ADVANCED SEMICONDUCTOR ENGINEERING INC  
Form 6-K  
July 11, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

July 11, 2014

Commission File Number 001-16125

Advanced Semiconductor Engineering, Inc.  
( Exact name of Registrant as specified in its charter)

26 Chin Third Road  
Nantze Export Processing Zone  
Kaoshiung, Taiwan  
Republic of China  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

\_\_\_\_\_

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

\_\_\_\_\_

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes            No     X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
Not applicable

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

Date: July 11, 2014

By: /s/ Joseph Tung  
Name: Joseph Tung  
Title: Chief Financial Officer

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ANNEX A

Advanced Semiconductor Engineering,  
Inc. and Subsidiaries

Consolidated Financial Statements for the  
Three Months Ended March 31, 2013 and 2014 and  
Independent Auditor's Review Report

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## INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. and its subsidiaries (collectively the "Group") as of March 31, 2013 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2013 and 2014. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. The financial statements of an associate were reviewed by other auditor and our review, insofar as it relates to the investment accounted for using the equity method, the share of loss of that associate and related information disclosed in note 14 to the consolidated financial statements included for the associate, is based solely on the report of the other auditor. The investment accounted for using the equity method was NT\$115,917 thousand as of March 31, 2014 and share of the loss of the associate was NT\$68,555 thousand for the three months ended March 31, 2014.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the report of the other auditor, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

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

/s/ Deloitte & Touche  
Taipei, Taiwan  
The Republic of China  
May 8, 2014

### 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 review such consolidated financial statements are those generally applied in the Republic of China.

## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

|  | March 31,<br>2013<br>(Reviewed) | December 31,<br>2013<br>(Audited) | March 31,<br>2014<br>(Reviewed) | US\$ (Note<br>4)   |
|--|---------------------------------|-----------------------------------|---------------------------------|--------------------|
| ASSETS   | NT\$                            | NT\$                              | NT\$                            |                    |
| <b>CURRENT ASSETS</b>  |                                 |                                   |                                 |                    |
| Cash and cash equivalents (Notes 4 and 6)  | \$21,275,604                    | \$45,026,371                      | \$43,577,488                    | \$1,431,116        |
| Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7) | 5,934,173                       | 2,764,269                         | 3,366,614                       | 110,562            |
| Available-for-sale financial assets - current (Notes 4 and 8)                      | 69,795                          | 2,376,970                         | 1,922,038                       | 63,121             |
| Debt investments with no active market - current (Notes 4 and 10)                  | 89,475                          | -                                 | -                               | -                  |
| Trade receivables, net (Notes 4 and 11)  | 33,431,996                      | 43,235,573                        | 37,856,827                      | 1,243,246          |
| Other receivables (Note 4)   | 533,168                         | 422,345                           | 616,417                         | 20,244             |
| Current tax assets (Note 4)  | 161,783                         | 150,596                           | 187,271                         | 6,150              |
| Inventories (Notes 4, 5 and 12)  | 14,302,492                      | 16,281,236                        | 15,495,215                      | 508,874            |
| Inventories related to real estate business (Notes 4, 5, 13, 24 and 33)            | 17,261,877                      | 18,589,255                        | 20,773,954                      | 682,232            |
| Other financial assets - current (Notes 4 and 33)                                  | 411,709                         | 278,375                           | 300,331                         | 9,863              |
| Other current assets   | 3,135,185                       | 3,051,492                         | 3,046,023                       | 100,033            |
| <b>Total current assets</b>  | <b>96,607,257</b>               | <b>132,176,482</b>                | <b>127,142,178</b>              | <b>4,175,441</b>   |
| <b>NON-CURRENT ASSETS</b>  |                                 |                                   |                                 |                    |
| Available-for-sale financial assets - non-current (Notes 4 and 8)                  | 1,267,569                       | 1,140,329                         | 1,133,960                       | 37,240             |
| Investments accounted for using the equity method (Notes 4 and 14)                 | 1,148,465                       | 1,216,201                         | 1,474,698                       | 48,430             |
| Property, plant and equipment (Notes 4, 5, 15, 24, 33 and 34)                      | 127,213,744                     | 131,497,331                       | 130,422,379                     | 4,283,165          |
| Goodwill (Notes 4, 5 and 16)   | 10,348,406                      | 10,347,820                        | 10,382,862                      | 340,981            |
| Other intangible assets (Notes 4, 5, 17 and 24)                                    | 1,878,819                       | 1,605,824                         | 1,563,584                       | 51,349             |
| Deferred tax assets (Notes 4 and 5)  | 3,759,057                       | 3,765,482                         | 3,972,035                       | 130,444            |
| Other financial assets - non-current (Notes 4 and 33)                              | 301,015                         | 354,993                           | 342,843                         | 11,259             |
| Long-term prepayments for lease (Note 18)  | 4,215,814                       | 4,072,281                         | 2,489,578                       | 81,760             |
| Other non-current assets   | 244,225                         | 637,163                           | 896,884                         | 29,455             |
| <b>Total non-current assets</b>  | <b>150,377,114</b>              | <b>154,637,424</b>                | <b>152,678,823</b>              | <b>5,014,083</b>   |
| <b>TOTAL</b>   | <b>\$246,984,371</b>            | <b>\$286,813,906</b>              | <b>\$279,821,001</b>            | <b>\$9,189,524</b> |



|   | March 31,<br>2013<br>(Reviewed) | December 31,<br>2013<br>(Audited) | March 31,<br>2014<br>(Reviewed) | US\$ (Note<br>4) |
|---|---------------------------------|-----------------------------------|---------------------------------|------------------|
| LIABILITIES AND EQUITY  | NT\$                            | NT\$                              | NT\$                            |                  |
| <b>CURRENT LIABILITIES</b>  |                                 |                                   |                                 |                  |
| Short-term borrowings (Note 19)   | \$33,937,385                    | \$44,618,195                      | \$33,853,530                    | \$1,111,774      |
| Financial liabilities at fair value through profit or loss -<br>current (Notes<br>4, 5 and 7) | 60,940                          | 1,853,304                         | 2,413,941                       | 79,276           |
| Derivative financial liabilities for hedging - current<br>(Notes 4, 5 and 9)                  | -                               | 3,310                             | 515                             | 17               |
| Trade payables  | 21,832,252                      | 28,988,976                        | 25,471,468                      | 836,501          |
| Other payables (Note 21)  | 15,024,214                      | 14,758,553                        | 15,840,371                      | 520,209          |
| Current tax liabilities (Note 4)  | 2,863,482                       | 3,000,869                         | 3,282,799                       | 107,809          |
| Current portion of bonds payable (Notes 4 and 20)   | -                               | 731,438                           | 741,695                         | 24,358           |
| Current portion of long-term borrowings (Notes 19 and<br>33)                                  | 3,140,637                       | 5,276,206                         | 5,032,977                       | 165,287          |
| Other current liabilities   | 1,461,124                       | 1,604,425                         | 1,540,386                       | 50,588           |
| <b>Total current liabilities</b>  | <b>78,320,034</b>               | <b>100,835,276</b>                | <b>88,177,682</b>               | <b>2,895,819</b> |
| <b>NON-CURRENT LIABILITIES</b>  |                                 |                                   |                                 |                  |
| Bonds payable (Notes 4 and 20)  | 10,907,095                      | 20,582,567                        | 20,975,751                      | 688,859          |
| Long-term borrowings (Notes 19 and 33)  | 34,387,401                      | 29,580,659                        | 29,008,600                      | 952,663          |
| Deferred tax liabilities (Notes 4 and 5)  | 2,074,673                       | 2,663,767                         | 2,968,402                       | 97,484           |
| Long-term payables  | -                               | 894,150                           | 548,460                         | 18,012           |
| Accrued pension liabilities (Notes 4 and 5)   | 5,060,079                       | 4,441,357                         | 4,523,706                       | 148,562          |
| Other non-current liabilities   | 553,096                         | 651,171                           | 617,384                         | 20,275           |
| <b>Total non-current liabilities</b>  | <b>52,982,344</b>               | <b>58,813,671</b>                 | <b>58,642,303</b>               | <b>1,925,855</b> |
| <b>Total liabilities</b>  | <b>131,302,378</b>              | <b>159,648,947</b>                | <b>146,819,985</b>              | <b>4,821,674</b> |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE<br/>COMPANY (Notes 4 and 23)</b>                      |                                 |                                   |                                 |                  |
| Share capital   | 76,126,523                      | 78,180,258                        | 78,337,123                      | 2,572,648        |
| Capital surplus   | 5,329,902                       | 7,908,870                         | 8,231,976                       | 270,344          |
| Retained earnings   |                                 |                                   |                                 |                  |
| Legal reserve   | 7,411,835                       | 8,720,971                         | 8,720,971                       | 286,403          |
| Special reserve   | 3,353,938                       | 3,663,930                         | 3,663,930                       | 120,326          |
| Unappropriated earnings   | 22,403,259                      | 26,608,253                        | 30,046,125                      | 986,736          |
| <b>Total retained earnings</b>  | <b>33,169,032</b>               | <b>38,993,154</b>                 | <b>42,431,026</b>               | <b>1,393,465</b> |
| Other equity  | (737,381 )                      | (102,554 )                        | 1,635,793                       | 53,721           |
| Treasury shares   | (1,959,107 )                    | (1,959,107 )                      | (1,959,107 )                    | (64,338 )        |
| <b>Equity attributable to owners of the Company</b>   | <b>111,928,969</b>              | <b>123,020,621</b>                | <b>128,676,811</b>              | <b>4,225,840</b> |





|  | March 31,<br>2013<br>(Reviewed)<br>NT\$ | December 31,<br>2013<br>(Audited)<br>NT\$ | March 31,<br>2014<br>(Reviewed)<br>NT\$ | US\$ (Note 4) |
|--|---|---|---|---------------|
| NON-CONTROLLING INTERESTS (Notes 4 and 23) | 3,753,024                               | 4,144,338                                 | 4,324,205                               | 142,010       |
| Total equity                               | 115,681,993                             | 127,164,959                               | 133,001,016                             | 4,367,850     |
| TOTAL                                      | \$ 246,984,371                          | \$ 286,813,906                            | \$279,821,001                           | \$ 9,189,524  |

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)

(Reviewed, Not Audited)

|   | For the Three Months Ended March 31 |              |               |
|---|-------------------------------------|--------------|---------------|
|   | 2013                                | 2014         |               |
|   | NT\$                                | NT\$         | US\$ (Note 4) |
| OPERATING REVENUES (Note 4)   | \$48,189,873                        | \$54,699,586 | \$1,796,374   |
| OPERATING COSTS (Notes 12, 22 and 24)                               | 39,909,301                          | 44,350,522   | 1,456,503     |
| GROSS PROFIT  | 8,280,572                           | 10,349,064   | 339,871       |
| OPERATING EXPENSES (Notes 22 and 24)                                |                                     |              |               |
| Selling and marketing expenses                                      | 688,904                             | 793,635      | 26,064        |
| General and administrative expenses                                 | 2,004,607                           | 2,192,085    | 71,990        |
| Research and development expenses                                   | 1,984,320                           | 2,293,666    | 75,325        |
| Total operating expenses  | 4,677,831                           | 5,279,386    | 173,379       |
| PROFIT FROM OPERATIONS  | 3,602,741                           | 5,069,678    | 166,492       |
| NON-OPERATING INCOME AND EXPENSES                                   |                                     |              |               |
| Other income (Note 24)  | 76,097                              | 116,713      | 3,833         |
| Other gains and losses (Note 24)                                    | 33,032                              | (240,489 )   | (7,898 )      |
| Finance costs (Note 24)   | (539,237 )                          | (598,359 )   | (19,651 )     |
| Share of the profit of associates (Note 4)                          | (13,888 )                           | (64,226 )    | (2,109 )      |
| Total non-operating income and expenses                             | (443,996 )                          | (786,361 )   | (25,825 )     |
| PROFIT BEFORE INCOME TAX  | 3,158,745                           | 4,283,317    | 140,667       |
| INCOME TAX EXPENSE (Notes 4, 5 and 25)                              | 802,757                             | 726,839      | 23,870        |
| PROFIT FOR THE PERIOD   | 2,355,988                           | 3,556,478    | 116,797       |
| OTHER COMPREHENSIVE INCOME (LOSS)                                   |                                     |              |               |
| Exchange differences on translating foreign operations              | 2,058,432                           | 1,588,607    | 52,171        |
| Unrealized gain on available-for-sale financial assets              | 151,787                             | 58,173       | 1,910         |
| Cash flow hedges  | 4,524                               | 2,869        | 94            |
| Share of other comprehensive income of associates                   | (15,518 )                           | 138,250      | 4,541         |
| Income tax relating to the components of other comprehensive income | (769 )                              | -            | -             |
| Other comprehensive income for the period, net of income tax        | 2,198,456                           | 1,787,899    | 58,716        |

|   |             |             |                          |
|---|-------------|-------------|--------------------------|
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | \$4,554,444 | \$5,344,377 | \$175,513<br>(Continued) |
|---|-------------|-------------|--------------------------|

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## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands Except Earnings Per Share)

(Reviewed, Not Audited)

|   | For the Three Months Ended March 31 |             |               |
|---|-------------------------------------|-------------|---------------|
|   | 2013                                | 2014        |               |
|   | NT\$                                | NT\$        | US\$ (Note 4) |
| <b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>                     |                                     |             |               |
| Owners of the Company   | \$2,230,632                         | \$3,437,872 | \$112,902     |
| Non-controlling interests   | 125,356                             | 118,606     | 3,895         |
|   | \$2,355,988                         | \$3,556,478 | \$116,797     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b> |                                     |             |               |
| Owners of the Company   | \$4,352,000                         | \$5,176,219 | \$169,991     |
| Non-controlling interests   | 202,444                             | 168,158     | 5,522         |
|   | \$4,554,444                         | \$5,344,377 | \$175,513     |
| <b>EARNINGS PER SHARE (Note 26)</b>                               |                                     |             |               |
| Basic   | \$0.30                              | \$0.45      | \$0.01        |
| Diluted   | \$0.29                              | \$0.44      | \$0.01        |

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)

(Reviewed, Not Audited)

|   | Equity Attributable to Owners of the Corporation |              |                    |                  |                    |                                 |              |             |   |
|---|--|--------------|--------------------|------------------|--------------------|---------------------------------|--------------|-------------|---|
|   | Share Capital                                    |              | Retained Earnings  |                  |                    |                                 |              | Total       | Exchange<br>Differenc<br>on<br>Translati<br>Foreign<br>Operatio |
|   | Shares<br>(In<br>Thousands)                      | Amounts      | Capital<br>Surplus | Legal<br>Reserve | Special<br>Reserve | Unappro-<br>priated<br>Earnings |              |             |   |
| BALANCE AT<br>JANUARY 1,<br>2013  | 7,602,292  | \$76,047,667 | \$5,262,129        | \$7,411,835      | \$-                | \$23,526,565                    | \$30,938,400 | \$(3,210,24 |   |
| Special reserve<br>(Note 23)  | -  | -            | -                  | -                | 3,353,938          | (3,353,938 )                    | -            | -           |   |
| Profit for the<br>three months<br>ended March<br>31, 2013   | -  | -            | -                  | -                | -                  | 2,230,632                       | 2,230,632    | -           |   |
| Other<br>comprehensive<br>income for the<br>three months<br>ended March<br>31, 2013, net of<br>income tax | -  | -            | -                  | -                | -                  | -                               | -            | 1,982,48    |   |
| Total<br>comprehensive<br>income (loss)<br>for the three<br>months ended<br>March 31, 2013                | -  | -            | -                  | -                | -                  | 2,230,632                       | 2,230,632    | 1,982,48    |   |
| Issue of<br>ordinary shares<br>under<br>employee share<br>options   | 5,334  | 78,856       | 67,773             | -                | -                  | -                               | -            | -           |   |

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|   |           |              |             |             |             |              |              |             |
|---|-----------|--------------|-------------|-------------|-------------|--------------|--------------|-------------|
| BALANCE AT MARCH 31, 2013   | 7,607,626 | \$76,126,523 | \$5,329,902 | \$7,411,835 | \$3,353,938 | \$22,403,259 | \$33,169,032 | \$(1,227,76 |
| BALANCE AT JANUARY 1, 2014  | 7,787,827 | \$78,180,258 | \$7,908,870 | \$8,720,971 | \$3,663,930 | \$26,608,253 | \$38,993,154 | \$(525,521  |
| Changes in capital surplus from investments in associates accounted for using the equity method | -         | -            | 5,612       | -           | -           | -            | -            | -           |
| Profit for the three months ended March 31, 2014  | -         | -            | -           | -           | -           | 3,437,872    | 3,437,872    | -           |
| Other comprehensive income for the three months ended March 31, 2014, net of income tax         | -         | -            | -           | -           | -           | -            | -            | 1,540,629   |
| Total comprehensive income for the three months ended March 31, 2014                            | -         | -            | -           | -           | -           | 3,437,872    | 3,437,872    | 1,540,629   |
| Issue of ordinary shares under employee share options   | 25,149    | 156,865      | 317,494     | -           | -           | -            | -            | -           |
| BALANCE AT MARCH 31, 2014   | 7,812,976 | \$78,337,123 | \$8,231,976 | \$8,720,971 | \$3,663,930 | \$30,046,125 | \$42,431,026 | \$1,015,108 |
| US. DOLLARS (Note 4)  |           |              |             |             |             |              |              |             |
| BALANCE AT MARCH 31,  | 7,812,976 | \$2,572,648  | \$270,344   | \$286,403   | \$120,326   | \$986,736    | \$1,393,465  | \$33,337    |

2014

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

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## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Reviewed, Not Audited)

|   | For the Three Months Ended March 31 |              |               |
|---|-------------------------------------|--------------|---------------|
|   | 2013                                | 2014         |               |
|   | NT\$                                | NT\$         | US\$ (Note 4) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                     |              |               |
| Profit before income tax  | \$3,158,745                         | \$4,283,317  | \$140,667     |
| Adjustments for:  |                                     |              |               |
| Depreciation expense  | 6,098,433                           | 6,269,956    | 205,910       |
| Amortization expense  | 220,391                             | 135,271      | 4,442         |
| Net gains on fair value change of financial assets and liabilities at fair value through profit or loss | (614,778 )                          | (326,296 )   | (10,716 )     |
| Interest expense  | 530,889                             | 589,916      | 19,373        |
| Interest income   | (40,399 )                           | (58,712 )    | (1,928 )      |
| Dividend income   | -                                   | (3,417 )     | (112 )        |
| Compensation cost of employee share options   | 73,989                              | 33,487       | 1,100         |
| Share of profit of associates   | 13,888                              | 64,226       | 2,109         |
| Impairment loss recognized on non-financial assets  | 110,578                             | 58,668       | 1,927         |
| Exchange loss   | 427,156                             | 742,054      | 24,370        |
| Others  | 74,154                              | 105,946      | 3,479         |
| Changes in operating assets and liabilities   |                                     |              |               |
| Financial assets held for trading   | 115,708                             | 308,372      | 10,127        |
| Trade receivables   | 4,000,540                           | 5,393,323    | 177,121       |
| Other receivables   | (137,714 )                          | 30,320       | 996           |
| Inventories   | 393,831                             | 144,372      | 4,741         |
| Other current assets  | (189,293 )                          | (27,716 )    | (910 )        |
| Financial liabilities held for trading  | (426,842 )                          | (137,870 )   | (4,528 )      |
| Trade payables  | (2,394,449 )                        | (3,517,508 ) | (115,518 )    |
| Other payables  | 58,241                              | (22,647 )    | (744 )        |
| Other current liabilities   | 25,954                              | (73,957 )    | (2,429 )      |
| Other operating activities items  | (78,853 )                           | 44,182       | 1,451         |
|   | 11,420,169                          | 14,035,287   | 460,928       |
| Interest received   | 28,894                              | 69,151       | 2,271         |
| Dividend received   | -                                   | 3,417        | 112           |
| Interest paid   | (611,315 )                          | (556,723 )   | (18,283 )     |
| Income tax paid   | (490,148 )                          | (383,502 )   | (12,594 )     |
| Net cash generated from operating activities  | 10,347,600                          | 13,167,630   | 432,434       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                     |              |               |
| Purchase of financial assets designated as at fair value through profit or loss                         | (4,145,966 )                        | (23,879,381) | (784,216 )    |
|   | 2,899,762                           | 24,072,435   | 790,556       |

|   |              |              |             |
|---|--------------|--------------|-------------|
| Proceeds from disposal of financial assets designated as at fair value through profit or loss |              |              |             |
| Purchase of available-for-sale financial assets   | (28,799 )    | (1,942,512 ) | (63,793 )   |
| Proceeds on sale of available-for-sale financial assets                                       | -            | 2,370,171    | 77,838      |
| Purchase of equity method investments   | -            | (100,000 )   | (3,284 )    |
| Payments for property, plant and equipment  | (5,366,014 ) | (3,975,218 ) | (130,549 )  |
| Proceeds from disposal of property, plant and equipment                                       | 99,238       | 17,536       | 576         |
| Payments for intangible assets  | (35,531 )    | (88,151 )    | (2,895 )    |
|   |              |              | (Continued) |

## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Reviewed, Not Audited)

|   | For the Three Months Ended March 31 |               |               |
|---|-------------------------------------|---------------|---------------|
|   | 2013                                | 2014          | US\$ (Note 4) |
|   | NT\$                                | NT\$          |               |
| Increase in other financial assets  | \$ (107,679 )                       | \$ (9,806 )   | \$ (322 )     |
| Decrease (Increase) in other non-current assets                                     | (39,371 )                           | 3,946         | 129           |
| Net cash used in investing activities   | (6,724,360 )                        | (3,530,980 )  | (115,960 )    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                     |               |               |
| Repayment of short-term borrowings  | (3,873,002 )                        | (11,399,502 ) | (374,368 )    |
| Proceeds from long-term borrowings  | 4,484,934                           | 4,853,794     | 159,402       |
| Repayment of long-term borrowings   | (4,460,478 )                        | (6,123,956 )  | (201,115 )    |
| Proceeds from exercise of employee share options                                    | 101,801                             | 452,581       | 14,863        |
| Other financing activities items  | (13,962 )                           | 2,505         | 82            |
| Net cash used in financing activities   | (3,760,707 )                        | (12,214,578 ) | (401,136 )    |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b> |                                     |               |               |
|   | 1,419,555                           | 1,129,045     | 37,079        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                         |                                     |               |               |
|   | 1,282,088                           | (1,448,883 )  | (47,583 )     |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>                     |                                     |               |               |
|   | 19,993,516                          | 45,026,371    | 1,478,699     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                           |                                     |               |               |
|   | \$21,275,604                        | \$43,577,488  | \$1,431,116   |

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

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2014  
 (Amounts in Thousands, Unless Stated Otherwise)  
 (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

The functional currency of the Company and the reporting currency of the consolidated financial statements are both New Taiwan dollar (NT\$).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on May 8, 2014.

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

a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) in issue but not yet effective

Rule No. 1030010325 issued by the Financial Supervisory Commission (the “FSC”) on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRSs endorsed by the FSC (collectively the “2013 Taiwan-IFRSs”) starting January 1, 2015.

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note)                      |
|--|--|
| Improvements to IFRSs (2009) - amendment to IAS 39     | January 1, 2009 and January 1, 2010, as appropriate          |
| Amendment to IAS 39 “Embedded Derivatives”             | Effective for annual periods ended on or after June 30, 2009 |
| Improvements to IFRSs (2010)                           | July 1, 2010 and January 1, 2011, as appropriate             |

|   |                 |
|---|-----------------|
| Annual Improvements to IFRSs 2009-2011 Cycle  | January 1, 2013 |
| Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” | July 1, 2010    |
| Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”      | July 1, 2011    |

(Continued)

| New, Amended and Revised<br>Standards and Interpretations  | Effective Date<br>Announced by IASB<br>(Note) |
|--|---|
| Amendment to IFRS 1 “Government Loans”   | January 1, 2013                               |
| Amendment to IFRS 7 “Disclosure - Transfer of<br>Financial Assets”   | July 1, 2011                                  |
| Amendment to IFRS 7 “Disclosure - Offsetting<br>Financial Assets and Financial Liabilities”  | January 1, 2013                               |
| IFRS 10 “Consolidated Financial Statements”  | January 1, 2013                               |
| IFRS 11 “Joint Arrangements”   | January 1, 2013                               |
| IFRS 12 “Disclosure of Interests in Other Entities”  | January 1, 2013                               |
| Amendments to IFRS 10, IFRS 11 and IFRS 12<br>“Consolidated Financial Statements, Joint Arrangements<br>and Disclosure of Interests in Other<br>Entities: Transition Guidance” | January 1, 2013                               |
| Amendments to IFRS 10 and IFRS 12 and IAS 27<br>“Investment Entities”  | January 1, 2014                               |
| IFRS 13 “Fair Value Measurement”   | January 1, 2013                               |
| Amendment to IAS 1 “Presentation of Other<br>Comprehensive Income”   | July 1, 2012                                  |
| Amendment to IAS 12 “Deferred Tax: Recovery of<br>Underlying Assets”   | January 1, 2012                               |
| IAS 19 (Revised 2011) “Employee Benefits”  | January 1, 2013                               |
| IAS 27 (Revised 2011) “Separate Financial Statements”  | January 1, 2013                               |
| IAS 28 (Revised 2011) “Investments in Associates and<br>Joint Ventures”  | January 1, 2013                               |
| Amendment to IAS 32 “Offsetting Financial Assets and<br>Financial Liabilities”   | January 1, 2014                               |
| IFRIC 20 “Stripping Costs in Production Phase of a<br>Surface Mine”  | January 1, 2013                               |

(Concluded)

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

Except for the following, the initial application of the above 2013 Taiwan-IFRSs has not had any material impact on the Group's accounting policies:

1) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

3) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

4) Revision to IAS 19 “Employee Benefits”

In addition to accelerating the recognition of past service costs, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset, under revised IAS 19 requirements.

Due to the retroactive application of revised IAS 19 in 2015, the Group estimates that, as of January 1, 2014 and March 31, 2014, deferred tax assets will increase NT\$17,783 thousand and NT\$15,234 thousand (US\$500 thousand), accrued pension liabilities will increase NT\$104,603 thousand and NT\$89,608 thousand (US\$2,943 thousand), unappropriated earnings will decrease NT\$87,050 thousand and NT\$75,229 thousand (US\$2,471 thousand), and non-controlling interests will decrease NT\$11,346 thousand and NT\$11,328 thousand (US\$372 thousand), respectively. For the three months ended March 31, 2014, operating costs and operating expenses will decrease NT\$10,182 thousand (US\$334 thousand) and NT\$4,813 thousand (US\$158 thousand), respectively, and income tax expense and profit for the period attributable to non-controlling interests will increase NT\$3,174 thousand (US\$104 thousand) and NT\$18 thousand (US\$1 thousand), respectively.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group was continually to assess other possible impacts that the application of the 2013 Taiwan-IFRSs version will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. The IFRSs issued by IASB but not yet endorsed by FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

| New Amended and Revised Standards and Interpretations   | Effective Date Announced by IASB (Note 1)             |
|---|---|
| Annual Improvements to IFRSs 2010-2012 Cycle  | July 1, 2014 or transactions on or after July 1, 2014 |
| Annual Improvements to IFRSs 2011-2013 Cycle  | July 1, 2014  |
| IFRS 9 “Financial Instruments”  | Note 2  |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures” | Note 2  |
| Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”             | January 1, 2016                                       |
| IFRS 14 “Regulatory Deferral Accounts”  | January 1, 2016<br>July 1, 2014                       |



Amendment to IAS 19 “Defined Benefit  
Plans: Employee Contributions”

(Continued)

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| New Amended and Revised Standards and Interpretations   | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets” | January 1, 2014                           |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”                  | January 1, 2014                           |
| IFRIC 21 “Levies”   | January 1, 2014                           |

(Concluded)

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

Note 2: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

The initial application of the above IFRSs has not had any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group

is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” endorsed by the FSC. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual financial reports.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

For the Group’s real estate business whose operating cycle is longer than one year, the length of the operating cycle is the basis for classifying the Group’s real estate related assets and liabilities as current or non-current.

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the acquisition date and up to the date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

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

Attribution of total comprehensive income to non-controlling interests

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



## Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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

## 2) Subsidiaries included in the consolidated financial statements

| Name of Investee                                  | Main Businesses   | Establishment<br>and<br>Operating<br>Location | Percentage of Ownership (%) |                   |                   |
|---|---|---|-----------------------------|-------------------|-------------------|
|   |   |   | March<br>31, 2013           | December 31, 2013 | March<br>31, 2014 |
| A.S.E. Holding Limited                            | Holding company   | Bermuda                                       | 100.0                       | 100.0             | 100.0             |
| J & R Holding Limited ("J&R Holding")             | Holding company   | Bermuda                                       | 100.0                       | 100.0             | 100.0             |
| Innosource Limited                                | Holding company   | British Virgin Islands                        | 100.0                       | 100.0             | 100.0             |
| Omniquest Industrial Limited                      | Holding company   | British Virgin Islands                        | 100.0                       | 100.0             | 100.0             |
| ASE Marketing & Service Japan Co., Ltd.           | Engaged in marketing and sales services   | Japan   | 100.0                       | 100.0             | 100.0             |
| ASE Test, Inc.                                    | Engaged in the testing of semiconductors  | Kaohsiung, ROC                                | 100.0                       | 100.0             | 100.0             |
| Yang Ting Tech Co., Ltd. ("Yang Ting")            | Engaged in the packaging and testing of semiconductors and merged into the Company in August 2013 | Taichung, ROC                                 | 100.0                       | -                 | -                 |
| Universal Scientific Industrial Co., Ltd. ("USI") | Engaged in the manufacturing, processing and sale of computers,                                   | Nantou, ROC                                   | 99.2                        | 99.2              | 99.2              |

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|  |  |                        |       |       |       |
|--|--|------------------------|-------|-------|-------|
|  | computer peripherals and related accessories.              |                        |       |       |       |
| Luchu Development Corporation                                | Engaged in the development of real estate properties       | Taipei, ROC            | 84.3  | 86.1  | 86.1  |
| Alto Enterprises Limited                                     | Holding company  | British Virgin Islands | 100.0 | 100.0 | 100.0 |
| Super Zone Holdings Limited                                  | Holding company  | Hong Kong              | 100.0 | 100.0 | 100.0 |
| ASE (Kun Shan) Inc.  | Engaged in the packaging and testing of semiconductors     | Kun Shan, China        | 100.0 | 100.0 | 100.0 |
| ASE Investment (Kun Shan) Limited                            | Holding company and established in June 2012               | Kun Shan, China        | 100.0 | 100.0 | 100.0 |
| Advanced Semiconductor Engineering (China) Ltd.              | Will engage in the packaging and testing of semiconductors | Shanghai, China        | 100.0 | 100.0 | 100.0 |
| ASE Investment (Labuan) Inc.                                 | Holding company  | Malaysia               | 100.0 | 100.0 | 100.0 |
| ASE Test Limited (“ASE Test”)                                | Holding company  | Singapore              | 100.0 | 100.0 | 100.0 |
| ASE (Korea) Inc. (“ASE Korea”)                               | Engaged in the packaging and testing of semiconductors     | Korea                  | 100.0 | 100.0 | 100.0 |
| J&R Industrial Inc.  | Engaged in leasing equipment and investing activity        | Kaohsiung, ROC         | 100.0 | 100.0 | 100.0 |
| ASE Japan Co., Ltd. (“ASE Japan”)                            | Engaged in the packaging and testing of semiconductors     | Japan                  | 100.0 | 100.0 | 100.0 |
| ASE (U.S.) Inc. (“ASE US”)                                   | After-sales service and sales support                      | U.S.A.                 | 100.0 | 100.0 | 100.0 |
| Global Advanced Packaging Technology Limited, Cayman Islands | Holding company  | British Cayman Islands | 100.0 | 100.0 | 100.0 |
| ASE WeiHai Inc.  | Engaged in the packaging and testing of semiconductors     | Shandong, China        | 100.0 | 100.0 | 100.0 |
| Suzhou ASEN Semiconductors Co.,                              | Engaged in the packaging and                               | Suzhou, China          | 60.0  | 60.0  | 60.0  |

|                               |   |                              |       |       |       |
|-------------------------------|---|------------------------------|-------|-------|-------|
| Ltd.                          | testing of<br>semiconductors  |                              |       |       |       |
| Anstock Limited               | Engaged in<br>financing activity  | British<br>Cayman<br>Islands | 100.0 | 100.0 | 100.0 |
| ASE Module<br>(Shanghai) Inc. | Will engage in the<br>production and<br>sale of electronic<br>components and<br>printed circuit<br>boards | Shanghai,<br>China           | 100.0 | 100.0 | 100.0 |

(Continued)



| Name of Investee   | Main Businesses  | Establishment<br>and<br>Operating<br>Location | Percentage of Ownership (%) |                      |                   |
|--|--|---|-----------------------------|----------------------|-------------------|
|  |  |   | March 31,<br>2013           | December<br>31, 2013 | March 31,<br>2014 |
| ASE (Shanghai) Inc.<br>("ASE Shanghai")                        | Engaged in the production of substrates  | Shanghai, China                               | 100.0                       | 100.0                | 100.0             |
| ASE Corporation  | Holding company  | British Cayman Islands                        | 100.0                       | 100.0                | 100.0             |
| ASE Mauritius Inc.   | Holding company  | Mauritius                                     | 100.0                       | 100.0                | 100.0             |
| ASE Labuan Inc.  | Holding company  | Malaysia                                      | 100.0                       | 100.0                | 100.0             |
| ASE Module (Kunshan) Inc.                                      | Will engage in the production and sale of electronic components                | Kun Shan, China                               | 100.0                       | 100.0                | 100.0             |
| Shanghai Ding Hui Real Estate Development Co., Ltd.            | Engaged in the development, construction and sale of real estate properties    | Shanghai, China                               | 100.0                       | 100.0                | 100.0             |
| Advanced Semiconductor Engineering (HK) Limited                | Engaged in the trading of substrates   | Hong Kong                                     | 100.0                       | 100.0                | 100.0             |
| Shanghai Ding Wei Real Estate Development Co., Ltd. ("DWREAL") | Engaged in the development, construction and leasing of real estate properties | Shanghai, China                               | 100.0                       | 100.0                | 100.0             |
| Shanghai Ding Yu Real Estate Development Co., Ltd. ("DYREAL")  | Engaged in the development, construction and leasing of real estate properties | Shanghai, China                               | 100.0                       | 100.0                | 100.0             |
| Kun Shan Ding Yue Real Estate Development Co., Ltd.            | Engaged in the development, construction and leasing of real estate properties | Kun Shan, China                               | 100.0                       | 100.0                | 100.0             |
| Kun Shan Ding Hong Real Estate Development Co., Ltd            | Engaged in the development, construction and leasing of real estate properties | Kun Shan, China                               | 100.0                       | 100.0                | 100.0             |
| ASE Electronics Inc.   | Engaged in the production of   | Kaohsiung, ROC                                | 100.0                       | 100.0                | 100.0             |

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|  |   |                        |       |       |       |
|--|---|------------------------|-------|-------|-------|
|  | substrates  |                        |       |       |       |
| ASE Test Holdings, Ltd.                                  | Holding company   | British Cayman Islands | 100.0 | 100.0 | 100.0 |
| ASE Holdings (Singapore) Pte Ltd                         | Holding company   | Singapore              | 100.0 | 100.0 | 100.0 |
| ASE Test Finance Limited                                 | Engaged in financing activity   | Mauritius              | 100.0 | 100.0 | 100.0 |
| ASE Singapore Pte. Ltd.                                  | Engaged in the packaging and testing of semiconductors                          | Singapore              | 100.0 | 100.0 | 100.0 |
| ISE Labs, Inc.   | Engaged in the testing of semiconductors  | U.S.A.                 | 100.0 | 100.0 | 100.0 |
| ASE Electronics (M) Sdn. Bhd.                            | Engaged in the packaging and testing of semiconductors                          | Malaysia               | 100.0 | 100.0 | 100.0 |
| ASE Assembly & Test (Shanghai) Limited                   | Engaged in the packaging and testing of semiconductors                          | Shanghai, China        | 100.0 | 100.0 | 100.0 |
| Shanghai Wei Yu Hong Xin Semiconductors Inc.             | Liquidated in November 2013   | Shanghai, China        | 100.0 | -     | -     |
| Wuxi Tongzhi Microelectronics Co., Ltd. (“Wuxi Tongzhi”) | Engaged in the packaging and testing of semiconductors and acquired in May 2013 | Wuxi, China            | -     | 100.0 | 100.0 |
| Huntington Holdings International Co., Ltd.              | Holding company   | British Virgin Islands | 99.2  | 99.2  | 99.2  |
| Senetex Investment Co., Ltd.                             | Engaged in investing activity   | Nantou, ROC            | 99.2  | 99.2  | 99.2  |
| Ta-Chi Investment Co., Ltd.                              | Engaged in investing activity and liquidated in July 2013                       | Nantou, ROC            | 99.2  | -     | -     |
| Universal Scientific Industrial (UK) Ltd.                | After-sales services and liquidated in July 2013                                | Britain                | 99.2  | -     | -     |
| Unitech Holdings International Co., Ltd.                 | Holding company   | British Virgin Islands | 99.2  | 99.2  | 99.2  |
| Real Tech Holdings Limited                               | Holding company   | British Virgin Islands | 99.2  | 99.2  | 99.2  |
| Universal ABIT Holding Co., Ltd.                         | Holding company   | British Cayman Islands | 99.2  | 99.2  | 99.2  |

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|  |   |                        |      |      |      |
|--|---|------------------------|------|------|------|
| Rising Capital Investment Limited                              | Holding company   | British Cayman Islands | 99.2 | 99.2 | 99.2 |
| Rise Accord Limited  | Holding company   | British Cayman Islands | 99.2 | 99.2 | 99.2 |
| e-Cloud Corporation  | Liquidated in December 2013   | Shanghai, China        | 99.2 | -    | -    |
| Cubuy Corporation  | Engaged in the trading of computer systems  | Shanghai, China        | 99.2 | 99.2 | 99.2 |
| Universal Scientific Industrial (Kunshan) Co., Ltd.            | Engaged in the manufacturing and sale of computer assistance system and related peripherals   | Kun Shan, China        | 99.2 | 99.2 | 99.2 |
| USI Enterprise Limited (“USIE”)                                | Holding company   | Hong Kong              | 99.1 | 99.1 | 99.1 |
| Universal Scientific Industrial (Shanghai) Co., Ltd. (“USISH”) | Engaged in the designing, manufacturing and sale of electronic components   | Shanghai, China        | 88.6 | 88.6 | 88.6 |
| Universal Global Technology Co., Limited                       | Holding company   | Hong Kong              | 88.6 | 88.6 | 88.6 |
| Universal Global Technology (Kunshan) Co., Ltd.                | Engaged in the designing and manufacturing of electronic components   | Kun Shan, China        | 88.6 | 88.6 | 88.6 |
| Universal Global Technology (Shanghai) Co., Ltd.               | Engaged in the processing and sale of computer and communication peripherals as well as technology import and export business and established in September 2013 | Shanghai, China        | -    | 88.6 | 88.6 |

(Continued)

| Name of Investee  | Main Businesses   | Establishment<br>and<br>Operating<br>Location | Percentage of Ownership (%) |                   |                   |
|---|---|---|-----------------------------|-------------------|-------------------|
|   |   |   | March<br>31, 2013           | December 31, 2013 | March<br>31, 2014 |
| Universal Global Technology (Shenzhen) Co., Ltd.          | Liquidated in March, 2014   | Shenzhen, China                               | 88.6                        | 88.6              | -                 |
| Universal Global Industrial Co., Limited                  | Holding company and engaged in manufacturing, trading and investing activity  | Hong Kong                                     | 88.6                        | 88.6              | 88.6              |
| Universal Global Scientific Industrial Co., Ltd. ("UGTW") | Engaged in the manufacturing of components of telecomm and cars and provision of related R&D services                                     | Nantou, ROC                                   | 88.6                        | 88.6              | 88.6              |
| USI Manufacturing Service, Inc.                           | Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service | U.S.A.  | 88.6                        | 88.6              | 88.6              |
| Universal Scientific Industrial De Mexico S.A. De C.V.    | Engaged in the assembling of motherboards and computer components   | Mexico  | 88.6                        | 88.6              | 88.6              |
| USI Japan Co., Ltd.                                       | Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories                              | Japan   | 88.6                        | 88.6              | 88.6              |
| USI@Work, Inc.  | After-sale service  | U.S.A.  | 88.6                        | 88.6              | 88.6              |
| USI Electronics (Shenzhen) Co., Ltd.                      | Engaged in the design, manufacturing and sale of motherboards and   | Shenzhen, China                               | 88.6                        | 88.6              | 88.6              |

computer  
peripherals

(Concluded)

e.

Business Combinations

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

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

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

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

The Group does not apply the acquisition method to account for business combinations involving entities under common control.

f. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

In relation to a partial disposal of a subsidiary that includes a foreign operation does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests of the subsidiary and are not recognized in profit or loss.

g. Cash Equivalents

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

h. Inventories and Inventories Related to Real Estate Business

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

Inventories related to real estate business include land and buildings held for sale, land held for construction, construction in progress and prepayment for land use rights. Land held for development is recorded as land held for construction upon obtaining the title of ownership. The prepayment is recorded as prepayments for land use rights before obtaining the title of ownership. Prior to the completion, the borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. Construction in progress is transferred to land and buildings held for sale upon completion. Land and buildings held for sale, construction in progress and land held

for construction are stated at the lower of cost or net realizable value and related write-downs are made by item. The amounts received in advance for real estate properties are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and significant risk of the real estate properties are transferred to customers. Cost of sales of land and buildings held for sale are recognized based on the ratio of property sold to the total property developed.

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i. Investments Accounted for Using the Equity Method

Investments accounted for using the equity method include investments in associates. An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control over those policies.

The operating performance as well as assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

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

When a group entity transacts with its associate, unrealized profits and losses resulting from the transactions with the associate are eliminated.

j. Property, Plant and Equipment

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

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

Depreciation is recognized using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognized in profit or loss.

k. Goodwill

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

Goodwill is not amortized but is tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of business combinations.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of



the unit pro rata based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. A reversal of an impairment loss recognized for goodwill is prohibited in subsequent periods.

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l. Other Intangible Assets

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

Other intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment, on the same basis as intangible assets acquired separately.

m. Impairment of Tangible and Intangible Assets Other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill (see above), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

n. Financial Instruments

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

1) Financial assets

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

a) Measurement category

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

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

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

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

Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

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

ii. Available-for-sale financial assets

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

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

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

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

iv. Loans and receivables

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



b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses, including dividends or interest paid, arising on remeasurement recognized in profit or loss.

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

4) Derivative Financial Instruments

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

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

5) Convertible Bonds

Convertible bonds issued by the Company that contain liability, conversion option, redemption option and put option (collectively the "Bonds Options") components are classified separately into respective items on initial recognition. The conversion option that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments is classified as a conversion option derivative. At the date of offering, both the liability and the Bonds Options components are recognized at fair value.

In subsequent periods, the liability component of the convertible bonds is measured at amortized cost using the effective interest method. The Bonds Options are measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the offering of the convertible bonds are allocated to the liability and the Bonds Options components in proportion to their relative fair values. Transaction costs relating to the Bonds Options are recognized immediately in profit or loss. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized using the effective interest method.

o. Hedge Accounting

The Group designates certain hedging instruments as cash flow hedges.

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The cumulative gains or losses on the hedging instruments that were previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or



losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial

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cost as non-financial assets or non-financial liabilities. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. Revenue Recognition

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

1) Sale of goods and real estate properties

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods and real estate properties;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and real estate properties sold;

— The amount of revenue can be reliably measured;

— It is probable that the economic benefits associated with the transaction will flow to the Group; and

— The costs incurred or to be incurred in respect of the transaction can be reliably measured.

2) Rendering of services

Service income is recognized when services are rendered.

3) Dividend and interest income

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

q. Leasing

The Group as lessor

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

The Group as lessee

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

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



r. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

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

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

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

t. Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Actuarial gains and losses on defined benefit obligations are recognized immediately in other comprehensive income.

The cost of providing benefits at the interim period is determined using the pension cost rate derived from the actuarial valuation at the end of prior year.

u. Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options.

At each balance sheet date, the Group reviews its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

v. Taxation

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



1) Current tax

Interim period income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to the interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income expense in the year the shareholders approve the distribution of earnings.

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

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

w. U.S. Dollar Amounts

A translation of the consolidated financial statements into U.S. dollars is included solely for the convenience of the readers, and has been translated from New Taiwan dollar (NT\$) at the exchange rate as set forth in the statistical release by the U.S. Federal Reserve Board of the United States, which was NT\$30.45 to US\$1.00 as of March 31,

2014. The translation should not be construed as a representation that the NT\$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Impairment of Goodwill

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

### Impairment of Tangible and Intangible Assets Other than Goodwill

In evaluating the impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of its usage patterns and the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future periods.

### Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value and the net realizable value of inventory at balance sheet date is determined based on Group's judgments and estimates.

Due to the rapid technology changes, the Group estimates the net realizable value of inventory for obsolescent and unmarketable items at balance sheet date and then writes down the cost of inventories to net realizable value. There may be significant changes in the net realizable value of inventories due to assumptions of future demand within a specific time period.

### Income Taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

### Recognition and Measurement of Defined Benefit Plans

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.





## Fair value of Derivatives and Other Financial Instruments

As disclosed in Note 31, the Group's management uses its judgments applying appropriate valuation techniques commonly applied by market practitioners. The assumptions applied are based on observable quoted market prices, foreign exchange rates and interest rates to the extent it is available. The fair value of unquoted equity instruments is estimated based on the assumptions supported by unobservable market prices and interest rates which are disclosed in Note 31. The Group's management believes that the valuation techniques and the assumptions applied are appropriate in determining the fair value of financial instruments.

## 6. CASH AND CASH EQUIVALENTS

|  | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|--|---------------------------|------------------------------|---------------------------|---------------|
| Cash on hand   | \$ 9,488                  | \$ 40,392                    | \$ 10,059                 | \$ 330        |
| Checking accounts and demand deposits                                  | 15,184,880                | 38,090,014                   | 35,424,181                | 1,163,356     |
| Cash equivalent - time deposits with original maturity within 3 months | 6,081,236                 | 6,895,965                    | 8,143,248                 | 267,430       |
|  | \$ 21,275,604             | \$ 45,026,371                | \$ 43,577,488             | \$ 1,431,116  |

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

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note<br>4) |
|---|---------------------------|------------------------------|---------------------------|------------------|
| Financial assets designated as at FVTPL |                           |                              |                           |                  |
| Structured time deposits                | \$ 2,987,841              | \$ 2,228,643                 | \$ 2,313,595              | \$ 75,980        |
| Private-placement convertible bonds     | -                         | 100,500                      | 100,500                   | 3,301            |
| Dual currency deposits                  | 2,243,661                 | -                            | -                         | -                |
|   | 5,231,502                 | 2,329,143                    | 2,414,095                 | 79,281           |
| Financial assets held for trading       |                           |                              |                           |                  |
| Swap contracts                          | 497,132                   | 219,324                      | 715,885                   | 23,510           |
| Open-end mutual funds                   | 173,644                   | 172,000                      | 170,834                   | 5,610            |
| Quoted shares                           | 23,767                    | 33,624                       | 41,178                    | 1,352            |
| Forward exchange contracts              | 8,128                     | 10,178                       | 13,108                    | 430              |

|                               |   |   |       |     |
|-------------------------------|---|---|-------|-----|
| Cross currency swap contracts | - | - | 9,578 | 315 |
|-------------------------------|---|---|-------|-----|

(Continued)

|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|---|---------------------------|------------------------------|---------------------------|---------------|
| Foreign currency option contracts   | \$ -                      | \$ -                         | \$ 1,936                  | \$ 64         |
|   | 702,671                   | 435,126                      | 952,519                   | 31,281        |
|   | \$ 5,934,173              | \$ 2,764,269                 | \$ 3,366,614              | \$ 110,562    |
| <b>Financial liabilities held for trading</b>   |                           |                              |                           |               |
| Conversion option, redemption option and<br>put option of convertible bonds (Note 20) | \$ -                      | \$ 1,742,996                 | \$ 2,275,500              | \$ 74,729     |
| Swap contracts  | 35,244                    | 74,170                       | 66,531                    | 2,185         |
| Forward exchange contracts  | 25,696                    | 31,315                       | 40,066                    | 1,316         |
| Foreign currency option contracts   | -                         | 643                          | 28,426                    | 934           |
| Interest rate swap contracts  | -                         | -                            | 3,418                     | 112           |
| Cross currency swap contracts   | -                         | 4,180                        | -                         | -             |
|   | \$ 60,940                 | \$ 1,853,304                 | \$ 2,413,941              | \$ 79,276     |

(Concluded)

The Group entered into investment portfolios consisting of structured time deposits and dual currency deposits with banks and invested in private-placement convertible bonds, and all included embedded derivative instruments which are not closely related to the host contracts. The Group designated the entire contracts as financial assets at FVTPL on initial recognition.

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

| Currency           | Maturity Period | Notional Amount<br>(In Thousands) |
|--------------------|-----------------|-----------------------------------|
| March 31, 2013     |                 |                                   |
| Sell NT\$/Buy US\$ | 2013.04-2014.03 | NT\$34,121,970/US\$1,162,200      |
| Sell US\$/Buy NT\$ | 2013.04-2013.09 | US\$172,500/NT\$5,112,969         |
| Sell US\$/Buy JPY  | 2013.04         | US\$64,380/JPY6,169,086           |
| Sell US\$/Buy CNY  | 2013.06         | US\$40,000/CNY251,940             |
| Sell US\$/Buy KRW  | 2013.04         | US\$8,500/KRW9,411,200            |
| December 31, 2013  |                 |                                   |
| Sell NT\$/Buy US\$ | 2014.01-2014.12 | NT\$31,707,176/US\$1,075,000      |
| Sell US\$/Buy NT\$ | 2014.01-2014.02 | US\$46,500/NT\$1,377,874          |
| Sell US\$/Buy JPY  | 2014.02         | US\$53,965/JPY5,550,000           |
| Sell US\$/Buy CNY  | 2014.01-2014.06 | US\$60,000/CNY368,148             |
| March 31, 2014     |                 |                                   |

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|                    |                 |                            |
|--------------------|-----------------|----------------------------|
| Sell NT\$/Buy US\$ | 2014.04-2015.03 | NT\$28,345,711/US\$959,000 |
| Sell US\$/Buy NT\$ | 2014.04-2014.05 | US\$64,400/NT\$1,950,245   |
| Sell US\$/Buy JPY  | 2014.05         | US\$65,688/JPY6,750,000    |
| Sell US\$/Buy CNY  | 2014.06-2014.07 | US\$60,000/CNY365,008      |
| Sell CNY/Buy US\$  | 2015.03         | CNY217,288/US\$35,000      |

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

| Currency           | Maturity Period | Notional Amount<br>(In Thousands) |
|--------------------|-----------------|-----------------------------------|
| March 31, 2013     |                 |                                   |
| Sell US\$/Buy NT\$ | 2013.04-2013.05 | US\$30,800/NT\$915,526            |
| Sell US\$/Buy CNY  | 2013.04-2013.06 | US\$81,000/CNY505,398             |
| Sell US\$/Buy MYR  | 2013.04-2013.06 | US\$8,000/MYR24,854               |
| Sell US\$/Buy KRW  | 2013.04         | US\$23,000/KRW25,444,600          |
| Sell US\$/Buy SGD  | 2013.04-2013.06 | US\$7,800/SGD9,708                |
| Sell US\$/Buy JPY  | 2013.04-2013.06 | US\$11,419/JPY1,087,558           |
| Sell EUR/Buy US\$  | 2013.04         | EUR700/US\$904                    |

## December 31, 2013

|                    |                 |                          |
|--------------------|-----------------|--------------------------|
| Sell US\$/Buy NT\$ | 2014.01-2014.02 | US\$51,000/NT\$1,521,484 |
| Sell US\$/Buy CNY  | 2014.01-2014.04 | US\$88,220/CNY537,100    |
| Sell US\$/Buy MYR  | 2014.01-2014.02 | US\$8,500/MYR27,508      |
| Sell US\$/Buy KRW  | 2014.01         | US\$4,000/KRW4,253,000   |
| Sell US\$/Buy SGD  | 2014.01-2014.02 | US\$9,500/SGD11,870      |
| Sell US\$/Buy JPY  | 2014.01-2014.03 | US\$28,950/JPY3,003,944  |
| Sell NT\$/Buy US\$ | 2014.03         | NT\$294,370/US\$10,000   |

## March 31, 2014

|                    |                 |                        |
|--------------------|-----------------|------------------------|
| Sell US\$/Buy NT\$ | 2014.04-2014.06 | US\$30,000/NT\$917,365 |
| Sell US\$/Buy CNY  | 2014.04-2014.10 | US\$104,500/CNY638,843 |
| Sell US\$/Buy MYR  | 2014.04-2014.05 | US\$9,500/MYR31,322    |
| Sell US\$/Buy SGD  | 2014.04-2014.05 | US\$8,000/SGD10,134    |
| Sell US\$/Buy JPY  | 2014.04-2014.05 | US\$7,399/JPY756,482   |

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

| Notional Amount<br>(In Thousands) | Maturity Period | Range of<br>Interest Rates<br>Paid (%) | Range of<br>Interest Rates<br>Received (%) |
|-----------------------------------|-----------------|--|--|
| December 31, 2013                 |                 |  |  |
| NT\$598,600/US\$20,000            | 2014.07         | (0.19)                                 | 0.16                                       |
| March 31, 2014                    |                 |  |  |
| NT\$598,600/US\$20,000            | 2014.07         | (0.19)                                 | 0.15                                       |

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

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| Currency                | Maturity Period | Notional Amount<br>(In Thousands) |
|-------------------------|-----------------|-----------------------------------|
| December 31, 2013       |                 |                                   |
| Sell US\$ Put/NT\$ Call | 2016.03 (Note)  | US\$4,000/NT\$113,400             |
| Buy US\$ Call/NT\$ Put  | 2016.03 (Note)  | US\$2,000/NT\$56,700              |
| March 31, 2014          |                 |                                   |
| Sell US\$ Put/NT\$ Call | 2016.08 (Note)  | US\$2,000/NT\$58,300              |
| Sell US\$ Put/NT\$ Call | 2016.09 (Note)  | US\$2,000/NT\$58,200              |
| Sell US\$ Put/NT\$ Call | 2016.09 (Note)  | US\$2,000/NT\$58,760              |
| Buy US\$ Call/NT\$ Put  | 2016.08 (Note)  | US\$1,000/NT\$29,150              |
| Buy US\$ Call/NT\$ Put  | 2016.09 (Note)  | US\$1,000/NT\$29,100              |
| Buy US\$ Call/NT\$ Put  | 2016.09 (Note)  | US\$1,000/NT\$29,380              |

Note The contracts will be settled once a month and the counterparty has the right to early terminate the : contracts. The aforementioned outstanding contracts as of December 31, 2013 were all early settled.

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

| Notional Amount<br>(In Thousands) | Maturity Period | Range of<br>Interest Rates<br>Paid (%) | Range of<br>Interest Rates<br>Received (%) |
|-----------------------------------|-----------------|--|--|
| March 31, 2014                    |                 |  |  |
| CNY240,000                        | 2015.02         | 1.35                                   | 0.89-1.02                                  |

#### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|---|---------------------------|------------------------------|---------------------------|---------------|
| Open-end mutual funds                       | \$ 20,000                 | \$ 2,321,826                 | \$ 1,867,557              | \$ 61,332     |
| Limited partnership                         | 544,712                   | 583,441                      | 594,965                   | 19,539        |
| Quoted ordinary shares                      | 422,198                   | 328,656                      | 343,841                   | 11,292        |
| Unquoted ordinary shares (Note 10)          | 267,367                   | 199,051                      | 232,664                   | 7,641         |
| Unquoted preferred shares                   | 17,783                    | 14,670                       | 16,971                    | 557           |
| Private-placement ordinary shares (Note 14) | 65,304                    | 69,655                       | -                         | -             |
|   | 1,337,364                 | 3,517,299                    | 3,055,998                 | 100,361       |
| Current                                     | 69,795                    | 2,376,970                    | 1,922,038                 | 63,121        |
| Non-current                                 | \$ 1,267,569              | \$ 1,140,329                 | \$ 1,133,960              | \$ 37,240     |



9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

The Group entered into interest rate swap contracts as cash flow hedge to mitigate exposures to future cash flow fluctuations resulting from interest rate changes relating to the Group's borrowings.

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At each balance sheet date, the outstanding interest rate swap contracts of the Group were as follows:

| Maturity Period   | Notional Amount<br>(In Thousands) | Interest Rates Paid (%) | Interest Rates Received (%) | Expected Period for Future Cash Flow | Expected Period for the Recognition of Gains or Losses from Hedging |
|-------------------|-----------------------------------|-------------------------|-----------------------------|--------------------------------------|---|
| December 31, 2013 |                                   |                         |                             |                                      |   |
| 2014.04           | CNY 240,000                       | 2.00                    | 1.05-2.80                   | 2014                                 | 2014  |
| March 31, 2014    |                                   |                         |                             |                                      |   |
| 2014.04           | CNY 240,000                       | 2.00                    | 1.34                        | 2014                                 | 2014  |

All interest rate swap contracts exchanging floating interest rates for fixed interest rates were designated as cash flow hedges in order to reduce the Group's cash flow exposure to floating interest rates on borrowings. The interest rate swaps and the interest payments on the borrowings occur simultaneously and the amounts accumulated in equity are reclassified to profit or loss over the period that the floating rate interest payments on the borrowings affect profit or loss. (Note 23e)

#### 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

The Group invested in a 3-year unsecured convertible corporate bond issued by SiPhoton, Inc.

As of June 30, 2013, the Group assessed SiPhoton, Inc.'s financial condition and wrote off the entire carrying amount of the investment in SiPhoton, Inc. in debt investments with no active market - current and the 545 thousand shares purchased by the Group as a result of the exercise of warrants recorded as available-for-sale financial assets - non-current, and recognized an impairment loss under the line item of other gains and losses in the consolidated statement of comprehensive income in 2013.

#### 11. TRADE RECEIVABLES, NET

|                                    | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|------------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| Trade receivables                  | \$ 33,503,060             | \$ 43,303,693                | \$ 37,910,360             | \$ 1,245,004  |
| Less: Allowance for doubtful debts | 71,064                    | 68,120                       | 53,533                    | 1,758         |
| Trade receivables, net             | \$ 33,431,996             | \$ 43,235,573                | \$ 37,856,827             | \$ 1,243,246  |

a. Trade receivables

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

The concentration of credit risk was insignificant due to the fact that the customer base was large.

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## Age of receivables that are past due but not impaired

|                   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4)     |
|-------------------|---------------------------|------------------------------|---------------------------|-------------------|
| Less than 30 days | \$ 2,812,122              | \$ 4,090,787                 | \$ 2,740,475              | \$ 89,999         |
| 31 to 90 days     | 154,039                   | 195,741                      | 391,299                   | 12,851            |
| More than 91 days | 389                       | 1,585                        | -                         | -                 |
| <b>Total</b>      | <b>\$ 2,966,550</b>       | <b>\$ 4,288,113</b>          | <b>\$ 3,131,774</b>       | <b>\$ 102,850</b> |

The above aging schedule was based on the past due date.

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

## Movement in the allowance for doubtful debts

|   | Impaired<br>Individually<br>NT\$          | Impaired<br>Collectively<br>NT\$          | Total<br>NT\$          |
|---|---|---|------------------------|
| Balance at January 1, 2013                      | \$ 23,976                                 | \$ 56,161                                 | \$ 80,137              |
| Impairment losses reversed                      | (9,791 )                                  | (325 )                                    | (10,116 )              |
| Effect of foreign currency exchange differences | (65 )                                     | 1,108                                     | 1,043                  |
| <b>Balance at March 31, 2013</b>                | <b>\$ 14,120</b>                          | <b>\$ 56,944</b>                          | <b>\$ 71,064</b>       |
| Balance at January 1, 2014                      | \$ 26,885                                 | \$ 41,235                                 | \$ 68,120              |
| Impairment losses reversed                      | (11,039 )                                 | (2,961 )                                  | (14,000 )              |
| Amount written off as uncollectible             | -   | (11 )                                     | (11 )                  |
| Effect of foreign currency exchange differences | (1,233 )                                  | 657                                       | (576 )                 |
| <b>Balance at March 31, 2014</b>                | <b>\$ 14,613</b>                          | <b>\$ 38,920</b>                          | <b>\$ 53,533</b>       |
|   | Impaired<br>Individually<br>US\$ (Note 4) | Impaired<br>Collectively<br>US\$ (Note 4) | Total<br>US\$ (Note 4) |
| Balance at January 1, 2014                      | \$ 883                                    | \$ 1,354                                  | \$ 2,237               |
| Impairment losses reversed                      | (363 )                                    | (97 )                                     | (460 )                 |
| Amount written off as uncollectible             | -   | (1 )                                      | (1 )                   |
| Effect of foreign currency exchange differences | (40 )                                     | 22  | (18 )                  |
| <b>Balance at March 31, 2014</b>                | <b>\$ 480</b>                             | <b>\$ 1,278</b>                           | <b>\$ 1,758</b>        |



## Age of impaired trade receivables

|                   | March 31,<br>2013<br>NT\$ | December<br>31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|-------------------|---------------------------|---------------------------------|---------------------------|---------------|
| Not past due      | \$ -                      | \$ -                            | \$ -                      | \$ -          |
| Less than 30 days | 21,819                    | 11,501                          | 44,084                    | 1,448         |
| 31 to 90 days     | 165,919                   | 109,376                         | 186,513                   | 6,125         |
| More than 91 days | 25,375                    | 115,203                         | 116,656                   | 3,831         |
| Total             | \$ 213,113                | \$ 236,080                      | \$ 347,253                | \$ 11,404     |

The above aging schedule was based on the past due date.

## b. Transfers of financial assets

Factored trade receivables of the Company were as follows:

| Counterparties                               | Receivables<br>Sold (In<br>Thousands) | Amounts<br>Collected<br>(In<br>Thousands) | Advances<br>Received At<br>Period-end<br>(In<br>Thousands) | Interest<br>Rates<br>on<br>Advances<br>Received<br>(%) | Credit Line<br>(In<br>Thousands) |
|--|---------------------------------------|---|--|--|----------------------------------|
| For the three months ended March 31,<br>2013 |                                       |   |  |  |                                  |
| Citi bank                                    | US\$ 55,124                           | US\$ -                                    | US\$ 55,124  | 1.04   | US\$ 92,000                      |
| For the three months ended March 31,<br>2014 |                                       |   |  |  |                                  |
| Citi bank                                    | US\$ 49,147                           | US\$ -                                    | US\$ 49,147  | 1.09   | US\$ 92,000                      |

Pursuant to the factoring agreement, losses from commercial disputes (such as sales returns and discounts) should be borne by the Company, while losses from credit risk should be borne by the banks. In the commencement of the factoring agreement in 2010, the Company also issued promissory notes to the banks for commercial disputes which remained undrawn since. The promissory noted amounted to US\$27,000 thousand as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively. There were no significant losses from commercial disputes in the past and the Group did not expect any significant commercial dispute losses in the foreseeable future.

## 12. INVENTORIES

| March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|---------------------------|------------------------------|---------------------------|---------------|
|---------------------------|------------------------------|---------------------------|---------------|

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|                                       |               |               |               |            |
|---------------------------------------|---------------|---------------|---------------|------------|
| Finished goods                        | \$ 3,147,195  | \$ 4,863,676  | \$ 3,911,581  | \$ 128,459 |
| Work in process                       | 2,252,275     | 1,701,257     | 2,410,352     | 79,158     |
| Raw materials                         | 8,059,144     | 8,766,638     | 8,189,302     | 268,942    |
| Supplies                              | 594,562       | 573,588       | 591,116       | 19,413     |
| Raw materials and supplies in transit | 249,316       | 376,077       | 392,864       | 12,902     |
|                                       | \$ 14,302,492 | \$ 16,281,236 | \$ 15,495,215 | \$ 508,874 |

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The cost of inventories recognized as operating costs for the three months ended March 31, 2013 and 2014 were NT\$39,686,015 thousand and NT\$44,306,210 thousand (US\$1,455,048 thousand), respectively, which included write-downs of inventories at NT\$111,606 thousand and NT\$38,404 thousand (US\$1,261 thousand), respectively.

### 13. INVENTORIES RELATED TO REAL ESTATE BUSINESS

|                                    | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|------------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| Land and buildings held for sale   | \$ 160,009                | \$ 16,764                    | \$ 5,322                  | \$ 175        |
| Construction in progress (Note 18) | 12,328,494                | 13,676,668                   | 15,820,564                | 519,559       |
| Land held for construction         | 1,646,347                 | 1,682,735                    | 1,692,764                 | 55,592        |
| Prepayments for land use rights    | 3,127,027                 | 3,213,088                    | 3,255,304                 | 106,906       |
|                                    | \$ 17,261,877             | \$ 18,589,255                | \$ 20,773,954             | \$ 682,232    |

Land and buildings held for sale located in Shanghai Zhangjiang was successively completed and sold. Construction in progress is mainly located on Caobao Road and Hutai Road in Shanghai, China and Lidu Road and Xinhong Road in Kun Shan, China. The capitalized borrowing costs for the three months ended March 31, 2013 and 2014 is disclosed in Note 24.

As of March 31, 2013, December 31, 2013 and March 31, 2014, inventories related to real estate business of NT\$17,101,868 thousand, NT\$18,572,491 thousand and NT\$20,768,632 thousand (US\$682,057 thousand), respectively, are expected to be recovered longer than twelve months.

Refer to Note 33 for the carrying amount of inventories related to real estate business that had been pledged by the Group to secure bank borrowings.

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

| Name of Associate                                  | Main Business  | Establishment and Operating Location | March 31, 2013<br>NT\$ | Carrying Amount           |                        | US\$ (Note 4) |
|--|--|--------------------------------------|------------------------|---------------------------|------------------------|---------------|
|  |  |                                      |                        | December 31, 2013<br>NT\$ | March 31, 2014<br>NT\$ |               |
| Listed companies                                   |  |                                      |                        |                           |                        |               |
| Hung Ching Development & Construction Co. ("HCDC") | Engaged in the development, construction and leasing of real estate properties | ROC                                  | \$ 1,091,403           | \$ 1,163,196              | \$ 1,306,830           | \$ 42,917     |
|  |  | ROC                                  | -                      | -                         | 115,917                | 3,807         |



Advanced Microelectronic Products Inc. (“AMPI”) Engaged in 6” wafer foundry

Unlisted companies

|                             |  |     |         |         |         |        |
|-----------------------------|--|-----|---------|---------|---------|--------|
| Hung Ching Kwan Co. (“HCK”) | Engaged in the leasing of real estate properties | ROC | 357,211 | 353,154 | 352,100 | 11,563 |
|-----------------------------|--|-----|---------|---------|---------|--------|

(Continued)

| Name of Associate                 | Main Business  | Establishment and Operating Location | Carrying Amount |                   |                |               |
|-----------------------------------|--|--------------------------------------|-----------------|-------------------|----------------|---------------|
|                                   |  |                                      | March 31, 2013  | December 31, 2013 | March 31, 2014 | US\$ (Note 4) |
|                                   |  |                                      | NT\$            | NT\$              | NT\$           |               |
| StarChips Technology Inc. ("SCT") | Engaged in design, manufacturing and sale of LED driver IC | ROC                                  | \$ 47,856       | \$ 47,856         | \$ 47,856      | \$ 1,572      |
|                                   |  |                                      | 1,496,470       | 1,564,206         | 1,822,703      | 59,859        |
|                                   | Less: Deferred gain on transfer of land                    |                                      | 300,149         | 300,149           | 300,149        | 9,857         |
|                                   | Accumulated impairment - SCT                               |                                      | 47,856          | 47,856            | 47,856         | 1,572         |
|                                   |  |                                      | \$ 1,148,465    | \$ 1,216,201      | \$ 1,474,698   | \$ 48,430     |

(Concluded)

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

|      | March 31, 2013 |   | December 31, 2013 |   | March 31, 2014 |   |
|------|----------------|---|-------------------|---|----------------|---|
| HCDC | 26.2           | % | 26.2              | % | 26.2           | % |
| AMPI | -              |   | -                 |   | 22.1           | % |
| HCK  | 27.3           | % | 27.3              | % | 27.3           | % |
| SCT  | 33.3           | % | 33.3              | % | 33.3           | % |

In January 2014, the Company subscribed for 20,000 thousand private-placement ordinary shares of AMPI in NT\$100,000 thousand (US\$3,284 thousand). The Company obtained significant influence over AMPI since the percentage of ownership was 27.4% after taking into account the shares previously held and recognized as available-for-sale financial assets. The private-placement ordinary shares subscribed for were restricted for transfer during a 3-year lock-up period. In addition, the Company did not subscribe for AMPI's cash capital increase in February 2014 and, as the result, the percentage of ownership decreased from 27.4% to 22.1%.

The publicly quoted market values of the investments accounted for using the equity method were summarized as follows:

|      | March 31, 2013 | December 31, 2013 | March 31, 2014 | US\$ (Note 4) |
|------|----------------|-------------------|----------------|---------------|
|      | NT\$           | NT\$              | NT\$           |               |
| HCDC | \$ 912,776     | \$ 1,242,199      | \$ 1,180,432   | \$ 38,766     |
| AMPI | \$ -           | \$ -              | \$ 329,088     | \$ 10,807     |

Aggregate financial information of associates was summarized as follows:

|                   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|-------------------|---------------------------|------------------------------|---------------------------|---------------|
| Total assets      | \$ 13,808,752             | \$ 16,020,314                | \$ 19,049,820             | \$ 625,610    |
| Total liabilities | \$ 8,067,766              | \$ 9,802,624                 | \$ 11,726,522             | \$ 385,107    |

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|   | For the Three Months Ended March 31 |               |               |
|---|-------------------------------------|---------------|---------------|
|   | 2013                                | 2014          |               |
|   | NT\$                                | NT\$          | US\$ (Note 4) |
| Operating revenues  | \$ 66,949                           | \$ 326,904    | \$ 10,736     |
| Loss for the period   | \$ (59,402 )                        | \$ (163,813 ) | \$ (5,380 )   |
| Other comprehensive income (loss) for the period, net of income tax | \$ (59,184 )                        | \$ 522,411    | \$ 17,156     |

The Group's share of profit or loss and other comprehensive income (loss) of associates for the three months ended March 31, 2013 and 2014 was based on the associates' reviewed financial statements.

## 15. PROPERTY, PLANT AND EQUIPMENT

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

|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|---|---------------------------|------------------------------|---------------------------|---------------|
| Land  | \$ 3,296,324              | \$ 3,295,758                 | \$ 3,314,594              | \$ 108,854    |
| Buildings and improvements                        | 41,447,273                | 44,766,601                   | 44,761,670                | 1,470,005     |
| Machinery and equipment                           | 72,942,790                | 75,085,182                   | 72,471,991                | 2,380,033     |
| Transportation equipment                          | 85,604                    | 82,228                       | 77,474                    | 2,544         |
| Furniture and fixtures                            | 1,288,645                 | 1,243,556                    | 1,262,455                 | 41,460        |
| Leased assets and leasehold improvement           | 64,048                    | 14,304                       | 17,788                    | 584           |
| Construction in progress and machinery in transit | 8,089,060                 | 7,009,702                    | 8,516,407                 | 279,685       |
|   | \$ 127,213,744            | \$ 131,497,331               | \$ 130,422,379            | \$ 4,283,165  |

For the three months ended March 31, 2013

|                  | Land<br>NT\$ | Buildings<br>and<br>improvements<br>NT\$ | Machinery<br>and<br>equipment<br>NT\$ | Transportation<br>equipment<br>NT\$ | Furniture<br>and<br>fixtures<br>NT\$ | Leased<br>assets<br>and<br>leasehold<br>improvement<br>NT\$ | Construction<br>in progress<br>and<br>machinery<br>in transit<br>NT\$ | Total<br>NT\$ |
|------------------|--------------|--|---------------------------------------|-------------------------------------|--------------------------------------|---|---|---------------|
| Cost             |              |  |                                       |                                     |                                      |   |   |               |
| Balance at       |              |  |                                       |                                     |                                      |   |   |               |
| January 1, 2013  | \$3,274,086  | \$63,482,739                             | \$193,973,968                         | \$294,377                           | \$5,435,713                          | \$211,477   | \$8,178,827   | \$274,851,187 |
| Additions        | -            | 617,592                                  | 3,130,882                             | 2,285                               | 72,088                               | -   | 887,598   | 4,710,445     |
| Disposals        | -            | (170,907 )                               | (1,330,242 )                          | (3,027 )                            | (25,735 )                            | -   | (5,198 )  | (1,535,109 )  |
| Reclassification | -            | (21,542 )                                | 1,083,406                             | 1,287                               | 104,214                              | -   | (1,167,709 )  | (344 )        |

|   |             |              |               |           |             |           |             |               |
|---|-------------|--------------|---------------|-----------|-------------|-----------|-------------|---------------|
| Effect of foreign currency exchange differences | 22,238      | 817,702      | 1,677,534     | 5,814     | 86,094      | 4,336     | 195,542     | 2,809,260     |
| Balance at March 31, 2013                       | \$3,296,324 | \$64,725,584 | \$198,535,548 | \$300,736 | \$5,672,374 | \$215,813 | \$8,089,060 | \$280,835,439 |
| Accumulated depreciation and impairment         |             |              |               |           |             |           |             |               |
| Balance at January 1, 2013                      | \$-         | \$22,307,146 | \$120,775,451 | \$207,017 | \$4,235,613 | \$128,186 | \$-         | \$147,653,413 |
| Depreciation expense                            | -           | 863,295      | 5,071,444     | 7,466     | 135,887     | 20,341    | -           | 6,098,433     |
| Impairment losses reversed                      | -           | (755 )       | (273 )        | -         | -           | -         | -           | (1,028        |
| Disposals                                       | -           | (150,834 )   | (1,248,820 )  | (3,027 )  | (21,264 )   | -         | -           | (1,423,945    |
| Reclassification                                | -           | (1,450 )     | (189 )        | (2 )      | 1,450       | -         | -           | (191          |
| Effect of foreign currency exchange differences | -           | 260,909      | 995,145       | 3,678     | 32,043      | 3,238     | -           | 1,295,013     |
| Balance at March 31, 2013                       | \$-         | \$23,278,311 | \$125,592,758 | \$215,132 | \$4,383,729 | \$151,765 | \$-         | \$153,621,695 |

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For the three months ended March 31, 2014

|   | Land<br>NT\$ | Buildings<br>and<br>improvements<br>NT\$ | Machinery<br>and<br>equipment<br>NT\$ | Transportation<br>equipment<br>NT\$ | Furniture<br>and<br>fixtures<br>NT\$ | Leased<br>assets and<br>leasehold<br>improvement<br>NT\$ | Construction<br>in progress<br>and<br>machinery<br>in transit<br>NT\$ | Total<br>NT\$ |
|---|--------------|--|---------------------------------------|-------------------------------------|--------------------------------------|--|---|---------------|
| Cost  |              |  |                                       |                                     |                                      |  |   |               |
| Balance at  |              |  |                                       |                                     |                                      |  |   |               |
| January 1, 2014   | \$3,295,758  | \$70,593,537                             | \$208,351,905                         | \$288,571                           | \$5,973,301                          | \$122,717  | \$7,009,702   | \$295,635,491 |
| Additions   | -            | 575,923                                  | 1,587,144                             | -                                   | 64,395                               | 4,098  | 2,296,507   | 4,528,067     |
| Disposals   | -            | (36,406 )                                | (2,287,869 )                          | (4,741 )                            | (66,602 )                            | (107,081)  | (3,810 )  | (2,506,509)   |
| Reclassification  | -            | 37,844                                   | 626,158                               | 2,292                               | 32,907                               | -  | (730,255 )  | (31,054)      |
| Effect of<br>foreign<br>currency<br>exchange<br>differences | 18,836       | 529,369                                  | 1,629,929                             | 3,094                               | 126,610                              | 1,477  | (35,473 )   | 2,273,842     |
| Balance at  |              |  |                                       |                                     |                                      |  |   |               |
| March 31, 2014  | \$3,314,594  | \$71,700,267                             | \$209,907,267                         | \$289,216                           | \$6,130,611                          | \$21,211   | \$8,536,671   | \$299,899,837 |
| Accumulated<br>depreciation<br>and impairment               |              |  |                                       |                                     |                                      |  |   |               |
| Balance at  |              |  |                                       |                                     |                                      |  |   |               |
| January 1, 2014   | \$-          | \$25,826,936                             | \$133,266,723                         | \$206,343                           | \$4,729,745                          | \$108,413  | \$-   | \$164,138,160 |
| Depreciation<br>expense                                     | -            | 951,171                                  | 5,175,028                             | 7,089                               | 135,946                              | 722  | -   | 6,269,956     |
| Impairment<br>losses<br>recognized                          | -            | -  | -                                     | -                                   | -                                    | -  | 20,264  | 20,264        |
| Disposals   | -            | (34,112 )                                | (2,076,247 )                          | (3,818 )                            | (66,104 )                            | (107,081)  | -   | (2,287,362)   |
| Effect of<br>foreign<br>currency<br>exchange<br>differences | -            | 194,602                                  | 1,069,772                             | 2,128                               | 68,569                               | 1,369  | -   | 1,336,440     |
| Balance at  |              |  |                                       |                                     |                                      |  |   |               |
| March 31, 2014  | \$-          | \$26,938,597                             | \$137,435,276                         | \$211,742                           | \$4,868,156                          | \$3,423  | \$20,264  | \$169,477,458 |
|   | Land         | Buildings<br>and<br>improvements         | Machinery<br>and<br>equipment         | Transportation<br>equipment         | Furniture<br>and<br>fixtures         | Leased<br>assets<br>and                                  | Construction<br>in<br>progress  | Total         |

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|  | US\$             |                  |                  |                     | leasehold and<br>improvement machinery<br>in transit |                  |                  |                  |
|--|------------------|------------------|------------------|---------------------|--|------------------|------------------|------------------|
|  | US\$<br>(Note 4) | US\$ (Note<br>4) | US\$ (Note<br>4) | US\$<br>(Note<br>4) | US\$<br>(Note 4)                                     | US\$<br>(Note 4) | US\$<br>(Note 4) | US\$ (Note<br>4) |
| Cost   |                  |                  |                  |                     |  |                  |                  |                  |
| Balance at<br>January 1, 2014                            | \$ 108,235       | \$ 2,318,343     | \$ 6,842,427     | \$ 9,477            | \$ 196,168   | \$ 4,030         | \$ 230,203       | \$ 9,708,883     |
| Additions  | -                | 18,914           | 52,123           | -                   | 2,114  | 135              | 75,419           | 148,705          |
| Disposals  | -                | (1,196 )         | (75,135 )        | (156 )              | (2,187 )   | (3,517)          | (125 )           | (82,316 )        |
| Reclassification   | -                | 1,243            | 20,563           | 75                  | 1,081  | -                | (23,982 )        | (1,020 )         |
| Effect of<br>foreign currency<br>exchange<br>differences | 619              | 17,385           | 53,528           | 102                 | 4,158  | 48               | (1,165 )         | 74,675           |
| Balance at<br>March 31, 2014                             | \$ 108,854       | \$ 2,354,689     | \$ 6,893,506     | \$ 9,498            | \$ 201,334   | \$ 696           | \$ 280,350       | \$ 9,848,927     |
| Accumulated<br>depreciation<br>and impairment            |                  |                  |                  |                     |  |                  |                  |                  |
| Balance at<br>January 1, 2014                            | \$ -             | \$ 848,176       | \$ 4,376,575     | \$ 6,776            | \$ 155,328   | \$ 3,561         | \$ -             | \$ 5,390,416     |
| Depreciation<br>expense                                  | -                | 31,237           | 169,951          | 233                 | 4,465  | 24               | -                | 205,910          |
| Impairment<br>losses<br>recognized                       | -                | -                | -                | -                   | -  | -                | 665              | 665              |
| Disposals  | -                | (1,120 )         | (68,185 )        | (125 )              | (2,171 )   | (3,518)          | -                | (75,119 )        |
| Effect of<br>foreign currency<br>exchange<br>differences | -                | 6,391            | 35,132           | 70                  | 2,252  | 45               | -                | 43,890           |
| Balance at<br>March 31, 2014                             | \$ -             | \$ 884,684       | \$ 4,513,473     | \$ 6,954            | \$ 159,874   | \$ 112           | \$ 665           | \$ 5,565,762     |

A portion of property, plant and equipment was unable to be used for the Group's production due to technical obsolescence and the Group recognized an impairment loss of NT\$20,264 thousand (US\$666 thousand) under the line item of other gains and losses in the consolidated statements of comprehensive income for the three months ended March 31, 2014.

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

Buildings and improvements

|                      |             |
|----------------------|-------------|
| Main plant buildings | 10-40 years |
|----------------------|-------------|

|  |             |
|--|-------------|
| Cleanrooms                               | 10-20 years |
| Others                                   | 3-20 years  |
| Machinery and equipment                  | 2-10 years  |
| Transportation equipment                 | 2-7 years   |
| Furniture and fixtures                   | 2-20 years  |
| Leased assets and leasehold improvements | 2-10 years  |

The capitalized borrowing costs for the three months ended March 31, 2013 and 2014 is disclosed in Note 24.

Refer to Note 33 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure bank borrowings.



| 16. | GOODWILL  |                |                |                       |
|-----|---|----------------|----------------|-----------------------|
|     |   | 2013<br>NT\$   | NT\$           | 2014<br>US\$ (Note 4) |
|     | Cost  |                |                |                       |
|     | Balance at January 1                            | \$ 12,295,819  | \$ 12,336,816  | \$ 405,150            |
|     | Effect of foreign currency exchange differences | 41,583         | 35,042         | 1,151                 |
|     | Balance at March 31                             | \$ 12,337,402  | \$ 12,371,858  | \$ 406,301            |
|     | Accumulated impairment                          |                |                |                       |
|     | Balance at January 1 and March 31               | \$ (1,988,996) | \$ (1,988,996) | \$ (65,320)           |

17. OTHER INTANGIBLE ASSETS

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

|                              | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| Patents                      | \$ 185,709                | \$ 35,751                    | \$ 23,143                 | \$ 760        |
| Acquired specific technology | 174,978                   | 88,674                       | 67,784                    | 2,226         |
| Customer relationships       | 765,516                   | 654,821                      | 621,056                   | 20,396        |
| Computer software and others | 752,616                   | 826,578                      | 851,601                   | 27,967        |
|                              | \$ 1,878,819              | \$ 1,605,824                 | \$ 1,563,584              | \$ 51,349     |

For the three months ended March 31, 2013

|  | Patents<br>NT\$ | Acquired<br>Specific<br>Technology<br>NT\$ | Customer<br>Relationships<br>NT\$ | Computer<br>Software and<br>Others<br>NT\$ | Total<br>NT\$ |
|--|-----------------|--|-----------------------------------|--|---------------|
| Cost   |                 |  |                                   |  |               |
| Balance at January 1, 2013                         | \$ 1,018,533    | \$ 1,113,947                               | \$ 1,579,015                      | \$ 3,522,312                               | \$ 7,233,807  |
| Additions  | -               | -  | -                                 | 35,531                                     | 35,531        |
| Reclassification                                   | -               | -  | -                                 | 1,106                                      | 1,106         |
| Effect of foreign currency<br>exchange differences | 1,662           | -  | -                                 | 20,488                                     | 22,150        |
| Balance at March 31, 2013                          | \$ 1,020,195    | \$ 1,113,947                               | \$ 1,579,015                      | \$ 3,579,437                               | \$ 7,292,594  |

(Continued)



|  | Patents<br>NT\$ | Acquired<br>Specific<br>Technology<br>NT\$ | Customer<br>Relationships<br>NT\$ | Computer<br>Software and<br>Others<br>NT\$ | Total<br>NT\$ |
|--|-----------------|--|-----------------------------------|--|---------------|
| Accumulated amortization                           |                 |  |                                   |  |               |
| Balance at January 1, 2013                         | \$ 774,159      | \$ 882,625                                 | \$ 776,600                        | \$ 2,745,977                               | \$ 5,179,361  |
| Amortization expense                               | 59,770          | 56,344                                     | 36,899                            | 67,378                                     | 220,391       |
| Effect of foreign currency<br>exchange differences | 557             | -  | -                                 | 13,466                                     | 14,023        |
| Balance at March 31, 2013                          | \$ 834,486      | \$ 938,969                                 | \$ 813,499                        | \$ 2,826,821                               | \$ 5,413,775  |

(Concluded)

For the three months ended March 31, 2014

|  | Patents<br>NT\$ | Acquired<br>Specific<br>Technology<br>NT\$ | Customer<br>Relationships<br>NT\$ | Computer<br>Software and<br>Others<br>NT\$ | Total<br>NT\$ |
|--|-----------------|--|-----------------------------------|--|---------------|
| Cost   |                 |  |                                   |  |               |
| Balance at January 1, 2014                         | \$ 1,021,750    | \$ 1,113,947                               | \$ 1,579,015                      | \$ 3,848,793                               | \$ 7,563,505  |
| Additions  | -               | -  | -                                 | 88,151                                     | 88,151        |
| Disposals  | -               | -  | -                                 | (5 )                                       | (5 )          |
| Reclassification                                   | -               | -  | -                                 | (95 )                                      | (95 )         |
| Effect of foreign currency<br>exchange differences | 788             | -  | -                                 | 21,942                                     | 22,730        |
| Balance at March 31, 2014                          | \$ 1,022,538    | \$ 1,113,947                               | \$ 1,579,015                      | \$ 3,958,786                               | \$ 7,674,286  |

## Accumulated amortization

|  |            |              |            |              |              |
|--|------------|--------------|------------|--------------|--------------|
| Balance at January 1, 2014                         | \$ 985,999 | \$ 1,025,273 | \$ 924,194 | \$ 3,022,215 | \$ 5,957,681 |
| Amortization expense                               | 13,116     | 20,890       | 33,765     | 67,500       | 135,271      |
| Disposals  | -          | -            | -          | (1 )         | (1 )         |
| Reclassification                                   | -          | -            | -          | 2,516        | 2,516        |
| Effect of foreign currency<br>exchange differences | 280        | -            | -          | 14,955       | 15,235       |
| Balance at March 31, 2014                          | \$ 999,395 | \$ 1,046,163 | \$ 957,959 | \$ 3,107,185 | \$ 6,110,702 |

(Concluded)

|  | Patents<br>US\$ (Note<br>4) | Acquired<br>Specific<br>Technology<br>US\$ (Note<br>4) | Customer<br>Relationships<br>US\$ (Note<br>4) | Computer<br>Software and<br>Others<br>US\$ (Note 4) | Total<br>US\$ (Note 4) |
|--|-----------------------------|--|---|---|------------------------|
| Cost   |                             |  |   |   |                        |
| Balance at January 1, 2014                         | \$ 33,555                   | \$ 36,583  | \$ 51,856                                     | \$ 126,397  | \$ 248,391             |
| Additions  | -                           | -  | -   | 2,895   | 2,895                  |
| Disposals  | -                           | -  | -   | (1 )  | (1 )                   |
| Reclassification                                   | -                           | -  | -   | (3 )  | (3 )                   |
| Effect of foreign currency<br>exchange differences | 26                          | -  | -   | 721   | 747                    |
| Balance at March 31, 2014                          | \$ 33,581                   | \$ 36,583  | \$ 51,856                                     | \$ 130,009  | \$ 252,029             |
| Accumulated amortization                           |                             |  |   |   |                        |
| Balance at January 1, 2014                         | \$ 32,381                   | \$ 33,671  | \$ 30,351                                     | \$ 99,252   | \$ 195,655             |
| Amortization expense                               | 431                         | 686  | 1,109   | 2,216   | 4,442                  |
| Disposals  | -                           | -  | -   | (1 )  | (1 )                   |
| Reclassification                                   | -                           | -  | -   | 83  | 83                     |
| Effect of foreign currency<br>exchange differences | 9                           | -  | -   | 492   | 501                    |
| Balance at March 31, 2014                          | \$ 32,821                   | \$ 34,357  | \$ 31,460                                     | \$ 102,042  | \$ 200,680             |

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

|                              |            |
|------------------------------|------------|
| Patents                      | 5-15 years |
| Acquired specific technology | 5 years    |
| Customer relationships       | 11 years   |
| Computer software and others | 2-32 years |

#### 18. LONG-TERM PREPAYMENTS FOR LEASE

Long-term prepayments for lease mainly represent land use right located in China with periods for use from 50 to 60 years. As of March 31, 2013, December 31, 2013 and March 31, 2014, the carrying amount of the land use right which the Group was in the process of obtaining the certificates was NT\$1,549,407 thousand, NT\$1,541,453 thousand and NT\$18,408 thousand (US\$605 thousand), respectively. During January 1, 2014 to March 31, 2014, the land use right located in China which the Group obtained the certificates was reclassified from long-term prepayments for lease to construction in progress under inventories related to real estate business.

#### 19. BORROWINGS

a. Short-term borrowings

Short-term borrowings mainly represented unsecured revolving bank loans with annual interest rates at 0.79%-6.89%, 0.80%-6.30%, 0.77%-6.16% as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively.

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## b. Long-term borrowings

As of December 31, 2013 and March 31, 2014, the long-term borrowings with fixed interest rates were NT\$706,562 thousand and NT\$721,313 thousand (US\$23,688 thousand), respectively, with annual interest rates at 2.50%-6.15%. The fixed interest rate long-term borrowings will be repayable through April 2015 to May 2015. The others were floating interest rate borrowings and consisted of the followings:

|                                   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|-----------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| Specified purpose loans           | \$ 641,238                | \$ 16,080                    | \$ -                      | \$ -          |
| Working capital bank loans        | 36,519,541                | 33,797,768                   | 32,690,202                | 1,073,570     |
| Mortgage loans                    | 408,625                   | 395,177                      | 683,167                   | 22,436        |
|                                   | 37,569,404                | 34,209,025                   | 33,373,369                | 1,096,006     |
| Less: Unamortized arrangement fee | 41,366                    | 58,722                       | 53,105                    | 1,744         |
|                                   | 37,528,038                | 34,150,303                   | 33,320,264                | 1,094,262     |
| Less: Current portion             | 3,140,637                 | 5,276,206                    | 5,032,977                 | 165,287       |
|                                   | \$ 34,387,401             | \$ 28,874,097                | \$ 28,287,287             | \$ 928,975    |

## 1) Specified purpose loans

|  | March 31,<br>2013<br>NT\$ | December<br>31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note<br>4) |
|--|---------------------------|---------------------------------|---------------------------|------------------|
| Early repaid in March 2014 and annual interest rates were 1.68%-1.80% and 6.15% as of March 31, 2013 and December 31, 2013, respectively | \$ 641,238                | \$ 16,080                       | \$ -                      | \$ -             |

## 2) Working capital bank loans

|  | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note<br>4) |
|--|---------------------------|------------------------------|---------------------------|------------------|
| Syndicated bank loans - repayable through June 2014 to July 2018, annual interest rates were 0.93%-2.30%, 0.90%-2.28% and 0.88%-2.32% as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively |                           |                              |                           |                  |
| ASE Inc.   | \$ 10,255,714             | \$ 10,026,021                | \$ 10,790,271             | \$ 354,360       |



|  | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|--|---------------------------|------------------------------|---------------------------|---------------|
| Subsidiaries   | \$ 2,108,628              | \$ 1,511,114                 | \$ 1,544,829              | \$ 50,733     |
| Others - repayable through April 2014 to July 2018, annual interest rates were 1.03%-6.15%, 1.04%-4.43% and 1.04%-5.32% as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively |                           |                              |                           |               |
| ASE Inc.   | 17,944,525                | 16,839,885                   | 15,484,940                | 508,537       |
| Subsidiaries   | 6,210,674                 | 5,420,748                    | 4,870,162                 | 159,940       |
|  | \$ 36,519,541             | \$ 33,797,768                | \$ 32,690,202             | \$ 1,073,570  |

(Concluded)

Pursuant to the above loan agreements, the Group should maintain certain financial covenants including current ratio, debt ratio, tangible net assets and interest coverage ratio. Such financial ratios are calculated based on the Group's annual audited consolidated financial statements or semi-annual reviewed consolidated financial statements or subsidiaries' annual audited financial statements.

## 3) Mortgage loans

|   | March 31,<br>2013<br>NT\$ | December<br>31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note<br>4) |
|---|---------------------------|---------------------------------|---------------------------|------------------|
| Repayable through April 2014 to June 2018, annual interest rates were 1.40%-1.44%, 1.40%-7.20% and 1.40%-7.20% as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively |                           |                                 |                           |                  |
| DWREAL  | \$ -                      | \$ 85,550                       | \$ 391,270                | \$ 12,850        |
| UGTW  | 408,625                   | 299,850                         | 281,992                   | 9,261            |
| DYREAL  | -                         | 9,777                           | 9,905                     | 325              |
|   | \$ 408,625                | \$ 395,177                      | \$ 683,167                | \$ 22,436        |

As of March 31, 2013, December 31, 2013 and March 31, 2014, loans of NT\$3,073,714 thousand, NT\$5,962,343 thousand and NT\$3,117,943 thousand (US\$102,396 thousand), respectively, would mature within one year. The Group, however, had sufficient long term credit facility obtained before March 31, 2013, December 31, 2013 and March 31, 2014, respectively, to refinance the loans on a long-term basis, and therefore such balances were not classified as current portion of long-term borrowings.





| 20.   | BONDS PAYABLE             |                              |                           |               |
|---|---------------------------|------------------------------|---------------------------|---------------|
|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
| Secured domestic bonds - secured by banks   |                           |                              |                           |               |
| Repayable at maturity in August 2016 and interest due annually with annual interest rate 1.45%                              | \$ 8,000,000              | \$ 8,000,000                 | \$ 8,000,000              | \$ 262,726    |
| Unsecured convertible overseas bonds  | -                         | 11,922,000                   | 12,188,000                | 400,263       |
| Secured overseas bonds - secured by the Company   |                           |                              |                           |               |
| CNY150,000 thousand, repayable at maturity in September 2014 and interest due semi-annually with annual interest rate 3.13% | 713,642                   | 733,282                      | 742,917                   | 24,398        |
| CNY500,000 thousand, repayable at maturity in September 2016 and interest due semi-annually with annual interest rate 4.25% | 2,378,806                 | 2,444,275                    | 2,476,390                 | 81,326        |
|   | 11,092,448                | 23,099,557                   | 23,407,307                | 768,713       |
| Less: Unamortized issuance cost   | 185,353                   | 220,793                      | 203,210                   | 6,674         |
| Discounts on bonds payable  | -                         | 1,564,759                    | 1,486,651                 | 48,822        |
|   | 10,907,095                | 21,314,005                   | 21,717,446                | 713,217       |
| Less: Current portion   | -                         | 731,438                      | 741,695                   | 24,358        |
|   | \$ 10,907,095             | \$ 20,582,567                | \$ 20,975,751             | \$ 688,859    |

In September 2013, the Company offered the third unsecured convertible overseas bonds (the “Bonds”) in US\$400,000 thousand. The Bonds is zero coupon bonds with the maturity of 5 years, in denominations of US\$200 thousand or in any integral multiples thereof. Each holder of the Bonds has the right at any time on or after October 16, 2013 and up to (and including) August 26, 2018, except during legal lock-up period, to convert Bonds into newly issued listed common shares at the conversion price NT\$33.085, determined on the basis of a fixed exchange rate of US\$1 to NT\$29.956. The conversion price will be adjusted in accordance with the conversion provisions due to anti-dilution clause. As of March 31, 2014, the conversion price was NT\$33.05 (US\$1.09).

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

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



The Bonds contained a debt host contract, recognized as bonds payable, and the Bonds Options aggregately recognized as financial liabilities at FVTPL. The effective interest rate of the debt host contract was 3.16% and the aggregate fair value of the Bonds Options was NT\$1,667,950 thousand on initial recognition. Loss of NT\$532,504 thousand (US\$17,488 thousand) arising on fair value changes was recognized under the line item of other gains and losses for the three months ended March 31, 2014.

| 21.  | OTHER PAYABLES            |                              |                           |               |
|--|---------------------------|------------------------------|---------------------------|---------------|
|  | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
| Payables for property, plant and equipment                               | \$ 4,603,671              | \$ 3,408,603                 | \$ 4,204,888              | \$ 138,092    |
| Accrued salary and bonus   | 3,735,887                 | 4,414,581                    | 4,120,201                 | 135,310       |
| Accrued bonus to employees and remuneration to directors and supervisors | 1,713,747                 | 1,778,422                    | 2,158,184                 | 70,876        |
| Others   | 4,970,909                 | 5,156,947                    | 5,357,098                 | 175,931       |
|  | \$ 15,024,214             | \$ 14,758,553                | \$ 15,840,371             | \$ 520,209    |

22. RETIREMENT BENEFIT PLANS

The Group's pension plans consisted of defined contribution retirement plan and defined benefit retirement plan. Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2012 and 2013, and recognized in the following line items in respective periods:

|                                     | Three Months Ended March 31 |              |               |
|-------------------------------------|-----------------------------|--------------|---------------|
|                                     | 2013<br>NT\$                | 2014<br>NT\$ | US\$ (Note 4) |
| Operating cost                      | \$ 83,939                   | \$ 89,673    | \$ 2,945      |
| Selling and marketing expenses      | 2,904                       | 2,873        | 94            |
| General and administrative expenses | 13,407                      | 17,428       | 572           |
| Research and development expenses   | 10,061                      | 9,879        | 325           |
|                                     | \$ 110,311                  | \$ 119,853   | \$ 3,936      |

23. EQUITY

a. Share capital

Ordinary shares

|   | March 31,<br>2013 | December 31,<br>2013 | March 31,<br>2014 |
|---|-------------------|----------------------|-------------------|
| Numbers of shares authorized (in thousands) | 9,500,000         | 9,600,000            | 9,600,000         |

(Continued)

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|  | March 31,<br>2013 | December 31,<br>2013 | March 31,<br>2014 |
|--|-------------------|----------------------|-------------------|
| Numbers of shares reserved (in thousands)              |                   |                      |                   |
| Employee share options                                 | 800,000           | 800,000              | 800,000           |
| Numbers of shares registered (in thousands)            | 7,602,122         | 7,756,004            | 7,787,160         |
| Numbers of shares subscribed in advance (in thousands) | 5,504             | 31,823               | 25,816            |
| Number of shares issued and fully paid (in thousands)  | 7,607,626         | 7,787,827            | 7,812,976         |

(Concluded)

|                              | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| Shares authorized            | \$ 95,000,000             | \$ 96,000,000                | \$ 96,000,000             | \$ 3,152,709  |
| Shares reserved              |                           |                              |                           |               |
| Employee share options       | \$ 8,000,000              | \$ 8,000,000                 | \$ 8,000,000              | \$ 262,726    |
| Shares registered            | \$ 76,021,217             | \$ 77,560,040                | \$ 77,871,596             | \$ 2,557,360  |
| Shares subscribed in advance | 105,306                   | 620,218                      | 465,527                   | 15,288        |
| Shares issued                | \$ 76,126,523             | \$ 78,180,258                | \$ 78,337,123             | \$ 2,572,648  |

The holders of issued ordinary shares with a par value at \$10 per share are entitled the right to vote and receive dividends, except the shares held by the Group's subsidiaries which are not entitled the right to vote. As of March 31, 2014, there were 100,000 thousand ordinary shares included in the authorized shares were not required to complete the share registration process.

In July 2013, the Company issued 130,000 thousand ordinary shares for cash capital increase at NT\$26.1 per share and the Company has completed the registration formalities.

#### American Depositary Receipts

The Company issued ADSs and each ADS represents five ordinary shares. As of March 31, 2013, December 31, 2013 and March 31, 2014, 103,249 thousand, 96,649 thousand and 102,578 thousand ADSs were outstanding and represented approximately 516,245 thousand, 483,243 thousand and 512,892 thousand ordinary shares of the Company, respectively.

|   | b. Capital surplus        |                              |                           |               |
|---|---------------------------|------------------------------|---------------------------|---------------|
|   | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
| Arising from the excess of the consideration received over the carrying | \$ 2,166,209              | \$ 2,165,879                 | \$ 2,165,879              | \$ 71,129     |

amounts of the subsidiaries' net assets

|  |           |           |           |         |
|--|-----------|-----------|-----------|---------|
| Arising from issuance of ordinary shares | 1,741,740 | 4,134,295 | 4,518,813 | 148,401 |
|--|-----------|-----------|-----------|---------|

(Continued)

|  | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|--|---------------------------|------------------------------|---------------------------|---------------|
| Arising from employee share options                            | \$ 1,337,043              | \$ 1,369,232                 | \$ 1,302,208              | \$ 42,766     |
| Arising from treasury share transactions                       | 83,117                    | 236,214                      | 236,214                   | 7,757         |
| Arising from share of changes in capital surplus of associates | 1,793                     | 3,250                        | 8,862                     | 291           |
|  | \$ 5,329,902              | \$ 7,908,870                 | \$ 8,231,976              | \$ 270,344    |

(Concluded)

Capital surplus arising from issuance of ordinary shares of NT\$3,626 thousand represented the reclassification arising from the unexercised portion for employees' subscription on cash capital increase of the Company (Note 27b).

The premium from ordinary shares issued in excess of par, including the premium from issuance of ordinary shares, treasury share transactions and carrying amount of expired options, may be used to offset deficits; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital up to a certain percentage of the Company's capital surplus each year.

The capital surplus arising from investments accounted for using the equity method and employee share options may not be used for any purpose.

c. Retained earnings and dividend policy

The amendments to Articles of Incorporation of ASE Inc. (the "Articles") were approved by the shareholders in June 2013 providing that annual net income shall be distributed in the following order:

- 1) Replenishment of deficits;
- 2) 10.0% as legal reserve;
- 3) Special reserve appropriated or reversed in accordance with laws or regulations set forth by the authorities concerned;
- 4) An amount equal to the excess of the income from investments accounted for using the equity method over cash dividends as special reserve;
- 5) Addition or deduction of realized gains or losses on equity instruments at fair value through other comprehensive income;
- 6) Not more than 1.0% of the remainder, from 1) to 5), as compensation to directors and supervisors;
- 7) Between 7.0% to 11.0% of the remainder, from 1) to 5), as bonus to employees, of which 7.0% shall be distributed in accordance with the employee bonus plan and the excess shall be distributed to specified employees at the board of directors' discretion; and
- 8) Any remainder from above as dividends to shareholders.



Employees to whom referred in 7) above include employees of subsidiaries that meet certain conditions, which are to be determined by the board of directors.

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

For the three months ended March 31, 2013 and 2014, the accrued bonus to employees of the Company was NT\$203,965 thousand and NT\$339,291 thousand (US\$11,143 thousand), respectively, and the accrued compensation to directors and supervisors of the Company was NT\$40,793 thousand and NT\$30,845 thousand (US\$1,013 thousand), respectively. The accrued bonus to employees and compensation to directors and supervisors represented 11% and 1%, respectively, of net income (net of the bonus and compensation) for the three months ended March 31, 2014 under the new Articles and 10% and 2%, respectively, of net income (net of the bonus and compensation) for the three months ended March 31, 2013 under the former Articles. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of Taiwan-IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

The appropriation of earnings for 2012 resolved at the Company's annual shareholders' meetings in June 2013, and the appropriation of 2013 earnings approved by the Company's board of directors in April 2014 and to be resolved by the Company's annual shareholders' meeting were as follows:

|                 | Appropriation of Earnings |               |                  | Dividends Per Share     |                         |                                     |
|-----------------|---------------------------|---------------|------------------|-------------------------|-------------------------|-------------------------------------|
|                 | For Year<br>2012          | For Year 2013 |                  | For Year<br>2012        | For Year 2013           |                                     |
|                 | NT\$                      | NT\$          | US\$ (Note<br>4) | NT\$<br>(in<br>dollars) | NT\$<br>(in<br>dollars) | US\$<br>(Note 4)<br>(in<br>dollars) |
| Legal reserve   | \$ 1,309,136              | \$ 1,568,907  | \$ 51,524        |                         |                         |                                     |
| Special reserve | 309,992                   | -             | -                |                         |                         |                                     |
| Cash dividends  | 7,987,974                 | 10,156,005    | 333,531          | \$ 1.05                 | \$ 1.30                 | \$ 0.04                             |
|                 | \$ 9,607,102              | \$ 11,724,912 | \$ 385,055       |                         |                         |                                     |

Reversal of special reserve at NT\$309,992 thousand for Year 2013 was also approved by the Company's board of directors in April 2014.

The bonus to employees and the remuneration to directors and supervisors for 2012 distributed in cash were also resolved in the aforementioned shareholders' meetings. In addition to the 2013 earnings appropriation listed above, the board of directors also approved to distribute the bonus to employees and remuneration to directors and supervisors in cash. The information was as follows:

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|   | For          |    | For Year 2013 |               |
|---|--------------|----|---------------|---------------|
|   | Year 2012    |    | NT\$          | US\$ (Note 4) |
|   | NT\$         |    | NT\$          |               |
| Bonus to employees                        | \$ 1,147,223 | \$ | 1,587,300     | \$ 52,128     |
| Remuneration to directors and supervisors | 228,000      |    | 144,000       | 4,729         |

The differences between the resolved amounts of the bonus to employees and remuneration to directors and supervisors and the accrued amounts reflected in the consolidated financial statements for the year ended December 31, 2012 was deemed changes in estimates. The difference was NT\$38,644 thousand and had been adjusted in earnings for the year ended December 31, 2013.

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

d.Special reserve appropriated following first-time adoption of Taiwan-IFRS

On January 1, 2013, the Company appropriated to the special reserve of NT\$3,353,938 thousand relating to the exchange differences on translating foreign operations transferred to retained earnings on the first-time adoption of Taiwan-IFRS.

e.Others equity items

1) Exchange differences on translating foreign operations

|  | 2013           |               | 2014 |               |
|--|----------------|---------------|------|---------------|
|  | NT\$           | NT\$          | NT\$ | US\$ (Note 4) |
| Balance at January 1   | \$ (3,210,248) | \$ (525,521 ) |      | \$ (17,259 )  |
| Exchange differences arising on translating foreign operations                   | 1,982,290      | 1,539,271     |      | 50,551        |
| Share of exchange difference of associates accounted for using the equity method | 191            | 1,358         |      | 45            |
| Balance at March 31  | \$ (1,227,767) | \$ 1,015,108  |      | \$ 33,337     |

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

|   | 2013       |            | 2014 |               |
|---|------------|------------|------|---------------|
|   | NT\$       | NT\$       | NT\$ | US\$ (Note 4) |
| Balance at January 1  | \$ 355,254 | \$ 426,246 |      | \$ 13,998     |
| Unrealized gain arising on revaluation of available-for-sale financial assets                     | 150,841    | 80,145     |      | 2,632         |
| Cumulative gain reclassified to profit or loss on disposal of available-for-sale financial assets | -          | (22,188 )  |      | (729 )        |
|   | (15,709 )  | 136,892    |      | 4,496         |

Share of unrealized gain (loss) on available-for-sale  
financial assets of associates accounted for using the  
equity method

|                     |            |            |           |
|---------------------|------------|------------|-----------|
| Balance at March 31 | \$ 490,386 | \$ 621,095 | \$ 20,397 |
|---------------------|------------|------------|-----------|

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|   | 3) Cash flow hedges |             |               |
|---|---------------------|-------------|---------------|
|   | 2013                | 2014        | US\$ (Note 4) |
|   | NT\$                | NT\$        |               |
| Balance at January 1  | \$ (3,755 )         | \$ (3,279 ) | \$ (107 )     |
| Gain arising on changes in the fair value of hedging instruments - Interest rate swap contracts   | -                   | 898         | 29            |
| Cumulative losses arising on changes in fair value of hedging instruments reclassified to profit or loss - Interest rate swap contracts | 4,524               | 1,971       | 65            |
| Income tax related to cash flow hedges  | (769 )              | -           | -             |
| Balance at March 31   | \$ -                | \$ (410 )   | \$ (13 )      |

## f. Treasury shares (in thousand shares)

|                                   | Balance Shares | Addition | Retirement/ Decrease | Ending Shares |
|-----------------------------------|----------------|----------|----------------------|---------------|
| Three months ended March 31, 2013 |                |          |                      |               |
| Shares held by subsidiaries       | 145,883        | -        | -                    | 145,883       |
| Three months ended March 31, 2014 |                |          |                      |               |
| Shares held by subsidiaries       | 145,883        | -        | -                    | 145,883       |

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

|                   | Shares Held By Subsidiaries (in thousand shares) | Carrying amount NT\$ | Carrying amount US\$ (Note 4) | Fair Value NT\$ | Fair Value US\$ (Note 4) |
|-------------------|--|----------------------|-------------------------------|-----------------|--------------------------|
| March 31, 2013    |  |                      |                               |                 |                          |
| ASE Test          | 88,200   | \$ 1,380,721         | \$ 2,160,912                  |                 |                          |
| J&R Holding       | 46,704   | 381,709              | 1,144,242                     |                 |                          |
| ASE Test, Inc.    | 10,979   | 196,677              | 268,980                       |                 |                          |
|                   | 145,883  | \$ 1,959,107         | \$ 3,574,134                  |                 |                          |
| December 31, 2013 |  |                      |                               |                 |                          |

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|                |         |              |              |
|----------------|---------|--------------|--------------|
| ASE Test       | 88,200  | \$ 1,380,721 | \$ 2,443,153 |
| J&R Holding    | 46,704  | 381,709      | 1,293,694    |
| ASE Test, Inc. | 10,979  | 196,677      | 304,112      |
|                | 145,883 | \$ 1,959,107 | \$ 4,040,959 |

(Continued)

|                | Shares<br>Held By<br>Subsidiaries<br>(in thousand<br>shares) | Carrying<br>amount<br>NT\$ | Carrying<br>amount<br>US\$<br>(Note 4) | Fair Value<br>NT\$ | Fair Value<br>US\$<br>(Note 4) |
|----------------|--|----------------------------|--|--------------------|--------------------------------|
| March 31, 2014 |  |                            |  |                    |                                |
| ASE Test       | 88,200   | \$ 1,380,721               | \$ 45,343                              | \$ 2,981,176       | \$ 97,904                      |
| J&R Holding    | 46,704   | 381,709                    | 12,536                                 | 1,578,587          | 51,842                         |
| ASE Test, Inc. | 10,979   | 196,677                    | 6,459                                  | 371,083            | 12,187                         |
|                | 145,883  | \$ 1,959,107               | \$ 64,338                              | \$ 4,930,846       | \$ 161,933                     |

(Concluded)

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

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

| g.   | Non-controlling interests |              |                       |
|--|---------------------------|--------------|-----------------------|
|  | 2013<br>NT\$              | 2014<br>NT\$ | 2014<br>US\$ (Note 4) |
| Balance at January 1   | \$ 3,521,419              | \$ 4,144,338 | \$ 136,103            |
| Attributable to non-controlling interests:   |                           |              |                       |
| Share of profit for the period   | 125,356                   | 118,606      | 3,895                 |
| Exchange difference on translating foreign operations                                      | 76,142                    | 49,336       | 1,620                 |
| Unrealized gain on available-for-sale financial assets                                     | 946                       | 216          | 7                     |
| Non-controlling interest relating to issue of ordinary shares under employee share options | 29,161                    | 11,709       | 385                   |
| Balance at March 31  | \$ 3,753,024              | \$ 4,324,205 | \$ 142,010            |

24.

## PROFIT BEFORE INCOME TAX

| a.  | Other income                        |              |                       |
|---|-------------------------------------|--------------|-----------------------|
|   | For the Three Months Ended March 31 |              |                       |
|   | 2013<br>NT\$                        | 2014<br>NT\$ | 2014<br>US\$ (Note 4) |
| Interest income - mainly from bank deposits | \$ 40,399                           | \$ 58,712    | \$ 1,928              |
| Government subsidy                          | 18,077                              | 37,961       | 1,247                 |



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|                  |           |            |          |
|------------------|-----------|------------|----------|
| Rental income    | 17,621    | 16,623     | 546      |
| Dividends income | -         | 3,417      | 112      |
|                  | \$ 76,097 | \$ 116,713 | \$ 3,833 |

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## b. Other gains and losses

For the Three Months Ended March 31

|  | 2013 |      | 2014          |
|--|------|------|---------------|
|  | NT\$ | NT\$ | US\$ (Note 4) |

|   |            |               |             |
|---|------------|---------------|-------------|
| Net gains on financial assets designated as at FVTPL        | \$ 29,051  | \$ 199,038    | \$ 6,537    |
| Net gains arising on financial instruments held for trading | 585,727    | 127,258       | 4,179       |
| Gains (losses) on disposal of assets                        | (12,590 )  | 11,028        | 362         |
| Foreign exchange losses, net                                | (472,929 ) | (668,322 )    | (21,948 )   |
| Others  | (96,227 )  | 90,509        | 2,972       |
|   | \$ 33,032  | \$ (240,489 ) | \$ (7,898 ) |

## c. Finance costs

For the Three Months Ended March 31

|  | 2013 |      | 2014          |
|--|------|------|---------------|
|  | NT\$ | NT\$ | US\$ (Note 4) |

|   |            |            |           |
|---|------------|------------|-----------|
| Total interest expense for financial liabilities measured at amortized cost   | \$ 568,236 | \$ 620,895 | \$ 20,391 |
| Less: Amounts included in the cost of qualifying assets   |            |            |           |
| Inventories related to real estate business   | (9,763 )   | (12,719 )  | (418 )    |
| Property, plant and equipment   | (32,108 )  | (20,231 )  | (664 )    |
|   | 526,365    | 587,945    | 19,309    |
| Loss arising on derivatives as designated hedging instruments in cash flow hedge accounting relationship reclassified from equity to profit or loss | 4,524      | 1,971      | 64        |
| Other finance costs   | 8,348      | 8,443      | 278       |
|   | \$ 539,237 | \$ 598,359 | \$ 19,651 |

Information relating to the capitalized borrowing costs was as follows:

For the Three Months Ended March 31

|  | 2013 | 2014 |
|--|------|------|
|--|------|------|

|   |             |             |
|---|-------------|-------------|
| Annual interest capitalization rates        |             |             |
| Inventories related to real estate business | 5.90%-6.00% | 6.00%-7.21% |
| Property, plant and equipment               | 1.54%-5.88% | 0.88%-6.15% |

|                                     | d. Depreciation and amortization    |                     |                       |
|-------------------------------------|-------------------------------------|---------------------|-----------------------|
|                                     | For the Three Months Ended March 31 |                     |                       |
|                                     | 2013<br>NT\$                        | 2014<br>NT\$        | 2014<br>US\$ (Note 4) |
| Property, plant and equipment       | \$ 6,098,433                        | \$ 6,269,956        | \$ 205,910            |
| Intangible assets                   | 220,391                             | 135,271             | 4,442                 |
| <b>Total</b>                        | <b>\$ 6,318,824</b>                 | <b>\$ 6,405,227</b> | <b>\$ 210,352</b>     |
| Summary of depreciation by function |                                     |                     |                       |
| Operating costs                     | \$ 5,660,474                        | \$ 5,829,700        | \$ 191,452            |
| Operating expenses                  | 437,959                             | 440,256             | 14,458                |
|                                     | \$ 6,098,433                        | \$ 6,269,956        | \$ 205,910            |
| Summary of amortization by function |                                     |                     |                       |
| Operating costs                     | \$ 125,871                          | \$ 49,496           | \$ 1,625              |
| Operating expenses                  | 94,520                              | 85,775              | 2,817                 |
|                                     | \$ 220,391                          | \$ 135,271          | \$ 4,442              |

|  | e. Employee benefits expense        |               |                       |
|--|-------------------------------------|---------------|-----------------------|
|  | For the Three Months Ended March 31 |               |                       |
|  | 2013<br>NT\$                        | 2014<br>NT\$  | 2014<br>US\$ (Note 4) |
| Post-employment benefits                         |                                     |               |                       |
| Defined contribution plans                       | \$ 299,523                          | \$ 363,809    | \$ 11,948             |
| Defined benefit plans                            | 110,311                             | 119,853       | 3,936                 |
|  | 409,834                             | 483,662       | 15,884                |
| Equity-settled share-based payments              | 73,989                              | 33,487        | 1,100                 |
| Salary, incentives and bonus                     | 7,716,690                           | 8,952,610     | 294,010               |
| Other employee benefits                          | 1,182,083                           | 1,368,944     | 44,957                |
|  | \$ 9,382,596                        | \$ 10,838,703 | \$ 355,951            |
| Summary of employee benefits expense by function |                                     |               |                       |
| Operating costs                                  | \$ 6,427,374                        | \$ 7,440,424  | \$ 244,349            |
| Operating expenses                               | 2,955,222                           | 3,398,279     | 111,602               |
|  | \$ 9,382,596                        | \$ 10,838,703 | \$ 355,951            |

25.

## INCOME TAX

## a. Income tax expense recognized in profit or loss

The major components of income tax expense were as follows:

|  | For the Three Months Ended March 31 |                   |                  |
|--|-------------------------------------|-------------------|------------------|
|  | 2013<br>NT\$                        | 2014<br>NT\$      | US\$ (Note 4)    |
| <b>Current income tax</b>                              |                                     |                   |                  |
| In respect of the current year                         | \$ 521,209                          | \$ 553,623        | \$ 18,181        |
| Income tax expense of unappropriated earnings          | 13,918                              | 25,737            | 845              |
| In respect of prior years                              | 1,863                               | 1,569             | 52               |
|  | 536,990                             | 580,929           | 19,078           |
| <b>Deferred income tax</b>                             |                                     |                   |                  |
| In respect of the current year                         | 233,436                             | 98,083            | 3,221            |
| Effect of foreign currency exchange differences        | 32,331                              | 47,827            | 1,571            |
|  | 265,767                             | 145,910           | 4,792            |
| <b>Income tax expense recognized in profit or loss</b> | <b>\$ 802,757</b>                   | <b>\$ 726,839</b> | <b>\$ 23,870</b> |

On April 9, 2014, the Ministry of Finance promulgated the amendments to the Assessment Rules Governing Income Tax Returns of Profit-Seeking Enterprises, the Tax Ruling No. 10304540780, and the amendments apply to the filing of income tax returns for 2013 onwards. The applications of such amendments were not expected to have significant effect on current and deferred tax assets and liabilities.

b.

## Integrated income tax

As of March 31, 2013, December 31, 2013 and March 31, 2014, unappropriated earnings were all generated on and after January 1, 1998. As of March 31, 2013, December 31, 2013 and March 31, 2014, the balance of the Imputation Credit Account (“ICA”) was NT\$600,543 thousand, NT\$733,341 thousand and NT\$733,341 thousand (US\$24,083 thousand), respectively.

The creditable ratio for the distribution of earnings of 2012 and 2013 was 6.95% (actual) and 5.28% (estimated), respectively.

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for their proportionate share of the income tax paid in the ROC by the Company on earnings generated after January 1, 1998. Non-resident shareholders are allowed only a tax credit from the 10% income tax on undistributed earnings, which can be used to reduce the withholding income tax on dividends. An ICA is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of dividend distribution. The expected creditable ratio for the 2013 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of Taiwan-IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of

Taiwan-IFRSs.

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## c. Income tax assessments

Income tax returns of ASE Inc. and its resident subsidiaries have been examined by authorities through 2010 and through 2010 to 2012, respectively. ASE Inc. and some of its resident subsidiaries disagreed with the result of examinations relating to its income tax returns for 2004 through 2010 and applied for appeal procedures. The related income tax expenses in the years resulting from the examinations have been accrued in respective tax years.

## 26. EARNINGS PER SHARE

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

## Profit for the three months

|   | For the Three Months Ended March 31 |              |                       |
|---|-------------------------------------|--------------|-----------------------|
|   | 2013<br>NT\$                        | NT\$         | 2014<br>US\$ (Note 4) |
| Profit for the three months attributable to owners of the Company | \$ 2,230,632                        | \$ 3,437,872 | \$ 112,902            |
| Effect of potentially dilutive ordinary shares:                   |                                     |              |                       |
| Employee share options issued by subsidiaries                     | (30,976 )                           | (38,168 )    | (1,253 )              |
| Earnings used in the computation of diluted earnings per share    | \$ 2,199,656                        | \$ 3,399,704 | \$ 111,649            |

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

|   | For the Three Months<br>Ended March 31 |           |
|---|--|-----------|
|   | 2013                                   | 2014      |
| Weighted average number of ordinary shares in computation of basic earnings per share   | 7,460,049                              | 7,654,229 |
| Effect of potentially dilutive ordinary shares:   |  |           |
| Employee share options  | 54,536                                 | 81,751    |
| Bonus to employees  | 53,718                                 | 54,736    |
| Weighted average number of ordinary shares in computation of diluted earnings per share | 7,568,303                              | 7,790,716 |

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

If the outstanding convertible bonds issued by the Company were converted to ordinary shares, earnings used in the computation of diluted earnings per share would have increased and therefore they were anti-dilutive and excluded

from the computation of diluted earnings per share.

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27.

## SHARE-BASED PAYMENT ARRANGEMENTS

## a. Employee share option plans of the Company and its subsidiaries

In order to attract, retain and reward employees, ASE Inc. has four employee share option plans for full-time employees of the Group. Each unit represents the right to purchase one ordinary share of ASE Inc. when exercised. Under the terms of the plans, share options are granted at an exercise price equal to or not less than the closing price of the ordinary shares listed on the TSE at the grant date. The option rights of these plans are valid for 10 years, non-transferable and exercisable at certain percentages subsequent to the second anniversary of the grant date. For any subsequent changes in the Company's capital structure, the exercise price is accordingly adjusted.

## ASE Inc. Option Plans

Information about share options was as follows:

|                             | For the Three Months Ended March 31       |   |   |   |
|-----------------------------|---|---|---|---|
|                             | 2013                                      |   | 2014                                      |   |
|                             | Number of<br>Options<br>(In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>Per Share<br>(NT\$) | Number of<br>Options<br>(In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>Per Share<br>(NT\$) |
| Balance at January 1        | 344,332                                   | \$ 20.3   | 285,480                                   | \$ 20.5   |
| Options forfeited           | (987 )                                    | 20.6  | (570 )                                    | 20.5  |
| Options exercised           | (5,334 )                                  | 19.1  | (25,150 )                                 | 18.0  |
| Balance at March 31         | 338,011                                   | 20.3  | 259,760                                   | 20.7  |
| Ending exercisable, balance | 239,329                                   | 20.1  | 203,776                                   | 20.7  |

The weighted average share prices at the dates of exercise of share options for the three months ended March 31, 2013 and 2014 was NT\$24.7 and NT\$29.6 (US\$0.97), respectively.

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

|                   | Range of<br>Exercise<br>Price Per<br>Share (NT\$) | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (Years) |
|-------------------|---|---|
| March 31, 2013    | \$ 8.4-13.5<br>20.4-22.6                          | 1.3<br>6.1  |
| December 31, 2013 | 11.1-13.5<br>20.4-22.6                            | 0.6<br>5.4  |



|                |           |     |
|----------------|-----------|-----|
| March 31, 2014 | 11.1-13.5 | 0.9 |
|                | 20.4-22.6 | 5.1 |

## ASE Mauritius Inc. Option Plan

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

Information about share options was as follows:

|                                   | For the Three Months Ended March 31       |  |   |  |
|-----------------------------------|---|--|---|--|
|                                   | 2013                                      |  | 2014                                      |  |
|                                   | Number of<br>Options<br>(In<br>Thousands) | Exercise<br>Price<br>Per Share<br>(US\$) | Number of<br>Options<br>(In<br>Thousands) | Exercise<br>Price<br>Per Share<br>(US\$) |
| Balance at January 1 and March 31 | 28,595                                    | \$ 1.7                                   | 28,545                                    | \$ 1.7                                   |
| Ending exercisable, balance       | 28,575                                    | 1.7                                      | 28,545                                    | 1.7                                      |

As of March 31, 2013, December 31, 2013 and March 31, 2014, the remaining contractual life was 4.7 years, 4.0 years and 3.7 years, respectively.

## USIE Option Plans

The terms of the plans issued by USIE were the same with those of the Company's option plans. In December 2013, USIE modified its option plan granted in 2007 by extending the contractual life from 10 years to 11 years.

Information about share options was as follows:

|                                   | For the Three Months Ended March 31       |   |   |   |
|-----------------------------------|---|---|---|---|
|                                   | 2013                                      |   | 2014                                      |   |
|                                   | Number of<br>Options<br>(In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>Per Share<br>(US\$) | Number of<br>Options<br>(In<br>Thousands) | Weighted<br>Average<br>Exercise<br>Price<br>Per Share<br>(US\$) |
| Balance at January 1 and March 31 | 34,966                                    | \$ 2.1  | 34,939                                    | \$ 2.1  |
| Ending exercisable, balance       | 22,252                                    | 1.7   | 28,281                                    | 2.0   |

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

| Range of<br>Exercise Price<br>Per Share<br>(US\$) | Weighted<br>Average<br>Remaining |
|---|----------------------------------|
|---|----------------------------------|

|                |         | Contractual<br>Life (Years) |
|----------------|---------|-----------------------------|
| March 31, 2013 | \$ 1.5  | 4.7                         |
|                | 2.4-2.9 | 7.6                         |

(Continued)

|                   | Range of<br>Exercise Price<br>Per Share<br>(US\$) | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (Years) |
|-------------------|---|---|
| December 31, 2013 | \$ 1.5  | 4.0   |
|                   | 2.4-2.9   | 6.8   |
| March 31, 2014    | 1.5   | 4.7   |
|                   | 2.4-2.9   | 6.6   |

(Concluded)

- b. New shares issued under cash capital increase reserved for subscription by employees

In July 2013, the board of directors approved the cash capital increase and, as required under the Company Act of the ROC, simultaneously granted options to employees to purchase 15% of such newly issued shares with such options exercisable within 3 days and vested when granted. The grant of the options was treated as employee options, accordingly a share-based compensation, and measured at fair value in accordance with IFRS 2. The Group recognized employee benefits expense and capital surplus of NT\$26,708 thousand in full at the grant date (also the vested date). The options represented 1,960 thousand shares were not exercised by employees and therefore the Company reclassified NT\$3,626 thousand from capital surplus arising from employee share options to capital surplus arising from issuance of ordinary shares.

Information about the Company's employee share options related to the aforementioned newly issued shares was as follows:

|                              | Number of<br>Options<br>(In Thousand) | Fair Value<br>(NT\$) |
|------------------------------|---------------------------------------|----------------------|
| Options granted in 2013      | 14,437                                | \$ 1.85              |
| Options exercised in 2013    | (12,477 )                             | 1.85                 |
| Options forfeited in 2013    | (1,960 )                              | -                    |
| Balance at December 31, 2013 | -                                     | -                    |

28.

## NON-CASH TRANSACTIONS

For the three months ended March 31, 2013 and 2014, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

|  | For the Three Months Ended March 31 |              |                       |
|--|-------------------------------------|--------------|-----------------------|
|  | 2013<br>NT\$                        | 2014<br>NT\$ | 2014<br>US\$ (Note 4) |
| Payments for property, plant and equipment |                                     |              |                       |
| Purchase of property, plant and equipment  | \$ 4,710,445                        | \$ 4,528,067 | \$ 148,705            |
|  | -                                   | 263,667      | 8,659                 |

Increase in prepayments for property, plant and  
equipment under the line item of other non-current  
assets

(Continued)

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For the Three Months Ended March 31

|   | 2013<br>NT\$ | 2014<br>NT\$  | US\$ (Note 4) |
|---|--------------|---------------|---------------|
| Decrease (increase) in payables for property, plant and equipment | \$ 687,677   | \$ (796,285 ) | \$ (26,151 )  |
| Capitalized borrowing costs                                       | (32,108 )    | (20,231 )     | (664 )        |
|   | \$ 5,366,014 | \$ 3,975,218  | \$ 130,549    |
| Proceeds from disposal of property, plant and equipment           |              |               |               |
| Consideration from disposal of property, plant and equipment      | \$ 98,574    | \$ 252,367    | \$ 8,288      |
| Decrease (increase) in other receivables                          | 664          | (234,831 )    | (7,712 )      |
|   | \$ 99,238    | \$ 17,536     | \$ 576        |

(Concluded)

## 29. OPERATING LEASE ARRANGEMENTS

Except those discussed in Note 18, the Company and its subsidiary, ASE Test, Inc., lease the land on which their buildings are located under various operating lease agreements with the ROC government expiring through January 2023. The agreements grant these entities the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the leases under certain conditions. In addition, the Group leases buildings, machinery and equipment under operating leases.

The subsidiaries' offices located in U.S.A. and Japan, etc. are leased from other parties and the lease term will expire through 2014 to 2017 with the option to renew the leases upon expiration.

The Group recognized rental expense of NT\$315,064 thousand and NT\$302,031 thousand (US\$9,919 thousand) for the three months ended March 31, 2013 and 2014, respectively.

## 30. CAPITAL MANAGEMENT

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

The Group is not subject to any externally imposed capital requirements except those discussed in Note 19.

## 31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except bonds payable measured at amortized cost, the management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair

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values.

The carrying amounts and fair value of bonds payable as of March 31, 2013, December 31, 2013 and March 31, 2014, respectively, were as follows:

|                   | Carrying Amount |                  | Fair Value    |                  |
|-------------------|-----------------|------------------|---------------|------------------|
|                   | NT\$            | US\$<br>(Note 4) | NT\$          | US\$<br>(Note 4) |
| March 31, 2013    | \$ 10,907,095   |                  | \$ 10,924,858 |                  |
| December 31, 2013 | 21,314,005      |                  | 21,913,590    |                  |
| March 31, 2014    | 21,717,446      | \$ 713,217       | 22,298,551    | \$ 732,301       |

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for those assets or liabilities that are not based on observable market data (unobservable inputs).

|  | Level 1<br>NT\$ | Level 2<br>NT\$ | Level 3<br>NT\$ | Total<br>NT\$ |
|--|-----------------|-----------------|-----------------|---------------|
| March 31, 2013                                   |                 |                 |                 |               |
| Financial assets at FVTPL                        |                 |                 |                 |               |
| Financial assets designated as at FVTPL          |                 |                 |                 |               |
| Structured time deposits                         | \$ -            | \$ 2,987,841    | \$ -            | \$ 2,987,841  |
| Dual currency deposits                           | -               | 2,243,661       | -               | 2,243,661     |
| Derivative financial assets                      |                 |                 |                 |               |
| Swap contracts                                   | -               | 497,132         | -               | 497,132       |
| Forward exchange contracts                       | -               | 8,128           | -               | 8,128         |
| Non-derivative financial assets held for trading |                 |                 |                 |               |
| Open-end mutual funds                            | 173,644         | -               | -               | 173,644       |
| Quoted shares                                    | 23,767          | -               | -               | 23,767        |
|  | \$ 197,411      | \$ 5,736,762    | \$ -            | \$ 5,934,173  |
| Available-for-sale financial assets              |                 |                 |                 |               |



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|                          |         |        |            |            |
|--------------------------|---------|--------|------------|------------|
| Limited partnership      | \$ -    | \$ -   | \$ 544,712 | \$ 544,712 |
| Quoted shares            | 422,198 | -      | -          | 422,198    |
| Unquoted shares          | -       | -      | 285,150    | 285,150    |
| Private-placement shares | -       | 65,304 | -          | 65,304     |

(Continued)

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|  | Level 1<br>NT\$ | Level 2<br>NT\$ | Level 3<br>NT\$ | Total<br>NT\$ |
|--|-----------------|-----------------|-----------------|---------------|
| Open-end mutual funds  | \$ 20,000       | \$ -            | \$ -            | \$ 20,000     |
|  | \$ 442,198      | \$ 65,304       | \$ 829,862      | \$ 1,337,364  |
| <b>Financial liabilities at FVTPL</b>                                    |                 |                 |                 |               |
| <b>Derivative financial liabilities</b>                                  |                 |                 |                 |               |
| Swap contracts   | \$ -            | \$ 35,244       | \$ -            | \$ 35,244     |
| Forward exchange contracts   | -               | 25,696          | -               | 25,696        |
|  | \$ -            | \$ 60,940       | \$ -            | \$ 60,940     |
| December 31, 2013  |                 |                 |                 |               |
| <b>Financial assets at FVTPL</b>   |                 |                 |                 |               |
| <b>Financial assets designated as at FVTPL</b>                           |                 |                 |                 |               |
| Structured time deposits   | \$ -            | \$ 2,228,643    | \$ -            | \$ 2,228,643  |
| Private-placement convertible bonds                                      | -               | 100,500         | -               | 100,500       |
| <b>Derivative financial assets</b>                                       |                 |                 |                 |               |
| Swap contracts   | -               | 219,324         | -               | 219,324       |
| Forward exchange contracts   | -               | 10,178          | -               | 10,178        |
| <b>Non-derivative financial assets held for trading</b>                  |                 |                 |                 |               |
| Open-end mutual funds  | 172,000         | -               | -               | 172,000       |
| Quoted shares  | 33,624          | -               | -               | 33,624        |
|  | \$ 205,624      | \$ 2,558,645    | \$ -            | \$ 2,764,269  |
| <b>Available-for-sale financial assets</b>                               |                 |                 |                 |               |
| Open-end mutual funds  | \$ 2,321,826    | \$ -            | \$ -            | \$ 2,321,826  |
| Limited Partnership  | -               | -               | 583,441         | 583,441       |
| Quoted shares  | 328,656         | -               | -               | 328,656       |
| Unquoted shares  | -               | -               | 213,721         | 213,721       |
| Private-placement shares   | -               | 69,655          | -               | 69,655        |
|  | \$ 2,650,482    | \$ 69,655       | \$ 797,162      | \$ 3,517,299  |
| <b>Financial liabilities at FVTPL</b>                                    |                 |                 |                 |               |
| <b>Derivative financial liabilities</b>                                  |                 |                 |                 |               |
| Conversion option, redemption option and put option of convertible bonds | \$ -            | \$ 1,742,996    | \$ -            | \$ 1,742,996  |
| Swap contracts   | -               | 74,170          | -               | 74,170        |
| Forward exchange contracts   | -               | 31,315          | -               | 31,315        |
| Cross currency swap contracts  | -               | 4,180           | -               | 4,180         |

(Continued)



|  | Level 1<br>NT\$ | Level 2<br>NT\$ | Level 3<br>NT\$ | Total<br>NT\$ |
|--|-----------------|-----------------|-----------------|---------------|
| Foreign currency option contracts            | \$ -            | \$ 643          | \$ -            | \$ 643        |
|  | \$ -            | \$ 1,853,304    | \$ -            | \$ 1,853,304  |
| Derivative financial liabilities for hedging |                 |                 |                 |               |
| Interest rate swap contracts                 | \$ -            | \$ 3,310        | \$ -            | \$ 3,310      |

(Concluded)

|  | Level 1     |                  | Level 2     |                  | Level 3 |                  | Total       |                  |
|--|-------------|------------------|-------------|------------------|---------|------------------|-------------|------------------|
|  | NT\$        | US\$<br>(Note 4) | NT\$        | US\$<br>(Note 4) | NT\$    | US\$<br>(Note 4) | NT\$        | US\$<br>(Note 4) |
| March 31, 2014                                   |             |                  |             |                  |         |                  |             |                  |
| Financial assets at FVTPL                        |             |                  |             |                  |         |                  |             |                  |
| Financial assets designated as at FVTPL          |             |                  |             |                  |         |                  |             |                  |
| Structured time deposits                         | \$-         | \$-              | \$2,313,595 | \$75,980         | \$-     | \$-              | \$2,313,595 | \$75,980         |
| Private-placement convertible bonds              | -           | -                | 100,500     | 3,301            | -       | -                | 100,500     | 3,301            |
| Derivative financial assets                      |             |                  |             |                  |         |                  |             |                  |
| Swap contracts                                   | -           | -                | 715,885     | 23,510           | -       | -                | 715,885     | 23,510           |
| Forward exchange contracts                       | -           | -                | 13,108      | 430              | -       | -                | 13,108      | 430              |
| Cross currency swap contracts                    | -           | -                | 9,578       | 315              | -       | -                | 9,578       | 315              |
| Foreign currency option contracts                | -           | -                | 1,936       | 64               | -       | -                | 1,936       | 64               |
| Non-derivative financial assets held for trading |             |                  |             |                  |         |                  |             |                  |
| Open-end mutual funds                            | 170,834     | 5,610            | -           | -                | -       | -                | 170,834     | 5,610            |
| Quoted shares                                    | 41,178      | 1,352            | -           | -                | -       | -                | 41,178      | 1,352            |
|  | \$212,012   | \$6,962          | \$3,154,602 | \$103,600        | \$-     | \$-              | \$3,366,614 | \$110,562        |
| Available-for-sale financial assets              |             |                  |             |                  |         |                  |             |                  |
| Open-end mutual funds                            | \$1,867,557 | \$61,332         | \$-         | \$-              | \$-     | \$-              | \$1,867,557 | \$61,332         |

|                     |             |          |     |     |           |          |             |           |
|---------------------|-------------|----------|-----|-----|-----------|----------|-------------|-----------|
| Limited partnership | -           | -        | -   | -   | 594,965   | 19,539   | 594,965     | 19,539    |
| Quoted shares       | 343,841     | 11,292   | -   | -   | -         | -        | 343,841     | 11,292    |
| Unquoted shares     | -           | -        | -   | -   | 249,635   | 8,198    | 249,635     | 8,198     |
|                     | \$2,211,398 | \$72,624 | \$- | \$- | \$844,600 | \$27,737 | \$3,055,998 | \$100,361 |

Financial liabilities at FVTPL

Derivative financial liabilities

Conversion option, redemption option and put option of

|                   |     |     |             |          |     |     |             |          |
|-------------------|-----|-----|-------------|----------|-----|-----|-------------|----------|
| convertible bonds | \$- | \$- | \$2,275,500 | \$74,729 | \$- | \$- | \$2,275,500 | \$74,729 |
| Swap contracts    | -   | -   | 66,531      | 2,185    | -   | -   | 66,531      | 2,185    |

Forward exchange contracts

|                                   |   |   |        |       |   |   |        |       |
|-----------------------------------|---|---|--------|-------|---|---|--------|-------|
| Forward exchange contracts        | - | - | 40,066 | 1,316 | - | - | 40,066 | 1,316 |
| Foreign currency option contracts | - | - | 28,426 | 934   | - | - | 28,426 | 934   |

Interest rate swap contract

|                             |     |     |             |          |     |     |             |          |
|-----------------------------|-----|-----|-------------|----------|-----|-----|-------------|----------|
| Interest rate swap contract | -   | -   | 3,418       | 112      | -   | -   | 3,418       | 112      |
|                             | \$- | \$- | \$2,413,941 | \$79,276 | \$- | \$- | \$2,413,941 | \$79,276 |

Derivative financial liabilities for hedging

Interest rate swap contracts

|                              |     |     |       |      |     |     |       |      |
|------------------------------|-----|-----|-------|------|-----|-----|-------|------|
| Interest rate swap contracts | \$- | \$- | \$515 | \$17 | \$- | \$- | \$515 | \$17 |
|------------------------------|-----|-----|-------|------|-----|-----|-------|------|

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2013 and 2014.

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

The financial assets measured at Level 3 fair value were equity investments with no quoted prices classified as available-for-sale financial assets - non-current. Reconciliation for the three months ended March 31, 2013 and 2014 was as follows:

|  | 2013       |            | 2014          |  |
|--|------------|------------|---------------|--|
|  | NT\$       | NT\$       | US\$ (Note 4) |  |
| Balance at January 1                                 | \$ 776,683 | \$ 797,162 | \$ 26,179     |  |
| Purchase   | 8,799      | 30,000     | 985           |  |
| Total gains recognized in other comprehensive income | 44,380     | 17,438     | 573           |  |
| Balance at March 31                                  | \$ 829,862 | \$ 844,600 | \$ 27,737     |  |

As of March 31, 2013 and 2014, unrealized loss of NT\$39,899 thousand and unrealized gain of NT\$31,390 thousand (US\$1,031 thousand), recorded in other comprehensive income under the heading of unrealized gain on available-for-sale financial assets, were included in the carrying amount of the financial assets at fair value on Level 3 fair value measurement.

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

The fair values of financial assets and financial liabilities were determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets were determined with reference to quoted market prices (includes quoted shares and open-end mutual funds). The fair value of private-placement shares was derived using quoted market prices and adjusted for the liquidity discount due to the selling restrictions relating to the lock-up period. The liquidity discount was the option value using the Black-Scholes Model with all observable inputs.
- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. These models use market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies to project fair value. The estimates and assumptions used by the Group were consistent with those that market participants would use in pricing financial instruments.
- The fair value of the Group's investments in unquoted shares and limited partnership were measured using market approach based on investees' recent financing activities, technical development, valuation of investees comparable companies, market conditions and other economic indicators.
- Except the aforementioned, the fair values of other financial assets and financial liabilities were measured using the generally accepted pricing models based on a discounted cash flow analysis.



## b. Categories of financial instruments

|  | March 31,<br>2013 | December 31,<br>2013 | March 31,<br>2014 | US\$ (Note<br>4) |
|--|-------------------|----------------------|-------------------|------------------|
|  | NT\$              | NT\$                 | NT\$              |                  |
| Financial assets   |                   |                      |                   |                  |
| FVTPL  |                   |                      |                   |                  |
| Designated as at FVTPL   | \$ 5,231,502      | \$ 2,329,143         | \$ 2,414,095      | \$ 79,281        |
| Held for trading   | 702,671           | 435,126              | 952,519           | 31,281           |
| Available-for-sale financial assets                                    | 1,337,364         | 3,517,299            | 3,055,998         | 100,361          |
| Loans and receivables (Note 1)   | 56,042,967        | 89,317,657           | 82,693,906        | 2,715,728        |
| Financial liabilities  |                   |                      |                   |                  |
| FVTPL  |                   |                      |                   |                  |
| Held for trading   | 60,940            | 1,853,304            | 2,413,941         | 79,276           |
| Derivative instruments in designated<br>hedge accounting relationships | -                 | 3,310                | 515               | 17               |
| Measured at amortized cost (Note 2)                                    | 119,228,984       | 145,430,744          | 131,472,852       | 4,317,663        |

Note 1: The balances included loans and receivables measured at amortized cost which comprise cash and cash equivalents, debt investments with no active market, trade and other receivables and other financial assets.

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

## c. Financial risk management objectives and policies

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

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

## 1) Market risk

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

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

## a) Foreign currency exchange rate risk



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

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The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (including those eliminated upon consolidation) as well as derivative instruments which exposed the Group to foreign currency exchange rate risk at each balance sheet date are presented in Note 35.

The Group was principally subject to the impact to exchange rate fluctuation in U.S. dollars and Japanese yen against NT\$ or Chinese Yuan Renminbi ("CNY"). 1% is the sensitivity rate used when reporting foreign currency exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency exchange rates. The sensitivity analysis included financial assets and liabilities and inter-company receivables and payables within the Group. The changes in profit before income tax due to a 1% change in U.S. dollars and Japanese yen both against NT\$ and CNY would be NT\$23,000 thousand and NT\$28,000 thousand (US\$920 thousand) for the three months ended March 31, 2013 and 2014, respectively. Hedging contracts and hedged items have been taken into account while measuring the changes in profit before income tax. The sensitivity analysis for foreign currency exchange rate risk to which the Group was exposed at the each balance sheet date was unrepresentative of a risk inherent for the three months ended March 31, 2013 and 2014.

b) Interest rate risk

Except a portion of long-term borrowings and bonds payable at fixed interest rates, the Group was exposed to interest rate risk because group entities borrowed funds at floating interest rates. Changes in market interest rates will lead to variances in effective interest rates of borrowings from which the future cash flow fluctuations arise.

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

|                                      | March 31,<br>2013<br>NT\$ | December 31,<br>2013<br>NT\$ | March 31,<br>2014<br>NT\$ | US\$ (Note 4) |
|--------------------------------------|---------------------------|------------------------------|---------------------------|---------------|
| <b>Fair value interest rate risk</b> |                           |                              |                           |               |
| Financial liabilities                | \$ 10,910,969             | \$ 22,186,535                | \$ 22,428,159             | \$ 736,557    |
| <b>Cash flow interest rate risk</b>  |                           |                              |                           |               |
| Financial assets                     | 14,668,123                | 46,206,830                   | 43,841,095                | 1,439,773     |
| Financial liabilities                | 71,465,423                | 78,502,073                   | 65,204,504                | 2,141,363     |

For assets and liabilities with floating interest rates, a 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel. If interest rates had been 100 basis points (1%) higher or lower and all other variables held constant, the Group's profit before income tax for the three months ended March 31, 2013 and 2014 would have decreased or increased by NT\$142,000 thousand and NT\$54,000 thousand (US\$1,773 thousand), respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in financial assets at FVTPL, including private-placement convertible bonds, quoted shares and open-end mutual funds, and available-for-sale financial assets. If equity prices were 1% higher or lower, profit before income tax for the three months ended March 31, 2013 and 2014 would have increased or decreased by NT\$2,000 thousand and NT\$3,200 thousand (US\$105 thousand), respectively and other comprehensive income before income tax for the three months ended March 31, 2013 and 2014 would have increased or decreased by NT\$14,000 thousand and NT\$31,000 thousand (US\$1,018 thousand),

respectively.

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In addition, the Group was also exposed to the Company's share price risk through Bonds Options recognized as financial liabilities held for trading. 3% is the sensitivity rate used when reporting price risk internally to key management personnel. If the Company's share price increased or decreased by 3%, profit before income tax for the three months ended March 31, 2014 would have decreased or increased by NT\$88,518 thousand (US\$2,907 thousand).

2) Credit risk

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

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

3) Liquidity risk

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

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

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

|                                      | On Demand<br>or Less than<br>1 Month<br>NT\$ | 1 to 3 Months<br>NT\$ | 3 Months to<br>1 Year<br>NT\$ | 2 to 5 Years<br>NT\$ | More than<br>5 Years<br>NT\$ |
|--------------------------------------|--|-----------------------|-------------------------------|----------------------|------------------------------|
| March 31, 2013                       |  |                       |                               |                      |                              |
| Non-derivative financial liabilities |  |                       |                               |                      |                              |
| Non-interest bearing                 | \$ 14,457,720                                | \$ 13,248,743         | \$ 3,154,517                  | \$ 99,844            | \$ -                         |
| Floating interest rate liabilities   | 12,287,034                                   | 13,631,918            | 16,349,731                    | 31,791,161           | 19,633                       |
| Fixed interest rate liabilities      | -  | -                     | 182,265                       | 11,766,940           | -                            |
|                                      | \$ 26,744,754                                | \$ 26,880,661         | \$ 19,686,513                 | \$ 43,657,945        | \$ 19,633                    |

December 31, 2013

|                                      |               |               |               |               |      |
|--------------------------------------|---------------|---------------|---------------|---------------|------|
| Non-derivative financial liabilities |               |               |               |               |      |
| Non-interest bearing                 | \$ 16,755,995 | \$ 18,506,103 | \$ 2,193,722  | \$ 979,923    | \$ - |
| Floating interest rate liabilities   |               |               |               |               |      |
|                                      | 22,940,649    | 11,905,684    | 21,552,430    | 23,383,218    | -    |
| Fixed interest rate liabilities      | 4,051         | 169,271       | 1,105,439     | 23,523,781    | -    |
|                                      | \$ 39,700,695 | \$ 30,581,058 | \$ 24,851,591 | \$ 47,886,922 | \$ - |

March 31, 2014

|                                      |               |               |               |               |           |
|--------------------------------------|---------------|---------------|---------------|---------------|-----------|
| Non-derivative financial liabilities |               |               |               |               |           |
| Non-interest bearing                 | \$ 17,327,692 | \$ 15,333,209 | \$ 2,485,878  | \$ 550,159    | \$ 28,053 |
| Floating interest rate liabilities   |               |               |               |               |           |
|                                      | 11,631,224    | 15,233,311    | 15,076,344    | 25,685,293    | -         |
| Fixed interest rate liabilities      | 288,576       | 179,224       | 1,377,018     | 23,783,165    | -         |
|                                      | \$ 29,247,492 | \$ 30,745,744 | \$ 18,939,240 | \$ 50,018,617 | \$ 28,053 |

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|  | On<br>Demand or<br>Less than<br>1 Month<br>US\$ (Note<br>4) | 1 to 3<br>Months<br>US\$ (Note 4) | 3 Months<br>to<br>1 Year<br>US\$ (Note<br>4) | 2 to 5 Years<br>US\$ (Note 4) | More<br>than<br>5 Years<br>US\$<br>(Note 4) |
|--|---|-----------------------------------|--|-------------------------------|---|
|--|---|-----------------------------------|--|-------------------------------|---|

March 31, 2014

## Non-derivative financial liabilities

|                                    |            |              |            |              |        |
|------------------------------------|------------|--------------|------------|--------------|--------|
| Non-interest bearing               | \$ 569,054 | \$ 503,554   | \$ 81,638  | \$ 18,068    | \$ 921 |
| Variable interest rate liabilities | 381,978    | 500,273      | 495,118    | 843,524      | -      |
| Fixed interest rate liabilities    | 9,477      | 5,886        | 45,222     | 781,056      | -      |
|                                    | \$ 960,509 | \$ 1,009,713 | \$ 621,978 | \$ 1,642,648 | \$ 921 |

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

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

|  | On Demand or<br>Less than<br>1 Month<br>NT\$ | 1 to 3 Months<br>NT\$ | 3 Months to<br>1 Year<br>NT\$ | More<br>than<br>1 Year<br>NT\$ |
|--|--|-----------------------|-------------------------------|--------------------------------|
|--|--|-----------------------|-------------------------------|--------------------------------|

March 31, 2013

## Net settled

|                            |             |      |      |      |
|----------------------------|-------------|------|------|------|
| Forward exchange contracts | \$ (3,000 ) | \$ - | \$ - | \$ - |
|----------------------------|-------------|------|------|------|

## Gross settled

## Forward exchange contracts

|          |              |              |      |      |
|----------|--------------|--------------|------|------|
| Inflows  | \$ 2,179,301 | \$ 1,776,494 | \$ - | \$ - |
| Outflows | (2,182,076 ) | (1,782,145 ) | -    | -    |
|          | (2,775 )     | (5,651 )     | -    | -    |

## Swap contracts

|          |              |             |              |      |
|----------|--------------|-------------|--------------|------|
| Inflows  | 10,258,349   | 8,155,895   | 24,769,023   | -    |
| Outflows | (10,201,842) | (8,091,965) | (24,339,616) | -    |
|          | 56,507       | 63,930      | 429,407      | -    |
|          | \$ 53,732    | \$ 58,279   | \$ 429,407   | \$ - |

December 31, 2013

Net settled

|                                   |          |             |      |      |
|-----------------------------------|----------|-------------|------|------|
| Forward exchange contracts        | \$ 3,520 | \$ (2,670 ) | \$ - | \$ - |
| Foreign currency option contracts | -        | 2,910       | -    | -    |
|                                   | \$ 3,520 | \$ 240      | \$ - | \$ - |

(Continued)

|                                      | On Demand<br>or Less than<br>1 Month<br>NT\$ | 1 to 3 Months<br>NT\$ | 3 Months to<br>1 Year<br>NT\$ | More<br>than<br>1 Year<br>NT\$ |
|--------------------------------------|--|-----------------------|-------------------------------|--------------------------------|
| <b>Gross settled</b>                 |  |                       |                               |                                |
| <b>Forward exchange contracts</b>    |  |                       |                               |                                |
| Inflows                              | \$ 2,703,738                                 | \$ 1,540,707          | \$ 208,348                    | \$ -                           |
| Outflows                             | (2,725,667)                                  | (1,541,515)           | (208,635 )                    | -                              |
|                                      | (21,929 )                                    | (808 )                | (287 )                        | -                              |
| <b>Swap contracts</b>                |  |                       |                               |                                |
| Inflows                              | 6,565,374                                    | 6,384,442             | 23,843,432                    | -                              |
| Outflows                             | (6,524,921)                                  | (6,368,366)           | (23,596,540)                  | -                              |
|                                      | 40,453                                       | 16,076                | 246,892                       | -                              |
| <b>Cross currency swap contracts</b> |  |                       |                               |                                |
| Inflows                              | 175  | 356                   | 596,801                       | -                              |
| Outflows                             | -  | -                     | (598,600 )                    | -                              |
|                                      | 175  | 356                   | (1,799 )                      | -                              |
| <b>Interest rate swap contracts</b>  |  |                       |                               |                                |
| Inflows                              | 3,744  | -                     | 3,089                         | -                              |
| Outflows                             | (5,995 )                                     | -                     | (5,865 )                      | -                              |
|                                      | (2,251 )                                     | -                     | (2,776 )                      | -                              |
|                                      | \$ 16,448                                    | \$ 15,624             | \$ 242,030                    | \$ -                           |
| <b>March 31, 2014</b>                |  |                       |                               |                                |
| <b>Net settled</b>                   |  |                       |                               |                                |
| Forward exchange contracts           | \$ 2,465                                     | \$ 800                | \$ -                          | \$ -                           |
| Foreign currency option contracts    | 2,690  | -                     | -                             | -                              |
|                                      | \$ 5,155                                     | \$ 800                | \$ -                          | \$ -                           |
| <b>Gross settled</b>                 |  |                       |                               |                                |
| <b>Forward exchange contracts</b>    |  |                       |                               |                                |
| Inflows                              | \$ 2,061,385                                 | \$ 1,499,197          | \$ 364,651                    | \$ -                           |
| Outflows                             | (2,071,529)                                  | (1,505,604)           | (365,640 )                    | -                              |
|                                      | (10,144 )                                    | (6,407 )              | (989 )                        | -                              |
| <b>Swap contracts</b>                |  |                       |                               |                                |
| Inflows                              | 3,385,217                                    | 8,443,526             | 24,214,547                    | -                              |
| Outflows                             | (3,342,734)                                  | (8,328,483)           | (23,542,686)                  | -                              |
|                                      | 42,483                                       | 115,043               | 671,861                       | -                              |
| <b>Cross currency swap contracts</b> |  |                       |                               |                                |
| Inflows                              | 166  | 355                   | 609,566                       | -                              |



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|                                     |           |            |            |      |
|-------------------------------------|-----------|------------|------------|------|
| Outflows                            | -         | -          | (598,600 ) | -    |
|                                     | 166       | 355        | 10,966     | -    |
| <b>Interest rate swap contracts</b> |           |            |            |      |
| Inflows                             | 3,992     | -          | 8,742      | -    |
| Outflows                            | (5,944 )  | -          | (12,169 )  | -    |
|                                     | (1,952 )  | -          | (3,427 )   | -    |
|                                     | \$ 30,553 | \$ 108,991 | \$ 678,411 | \$ - |

(Concluded)

|                                   | On Demand<br>or Less than<br>1 Month<br>US\$ (Note<br>4) | 1 to 3<br>Months<br>US\$ (Note<br>4) | 3 Months to<br>1 Year<br>US\$ (Note<br>4) | More than<br>1 Year<br>US\$ (Note<br>4) |
|-----------------------------------|--|--------------------------------------|---|---|
| March 31, 2014                    |  |                                      |   |   |
| Net settled                       |  |                                      |   |   |
| Forward exchange contracts        | \$ 81  | \$ 26                                | \$ -                                      | \$ -                                    |
| Foreign currency option contracts | 88   | -                                    | -   | -                                       |
|                                   | \$ 169   | \$ 26                                | \$ -                                      | \$ -                                    |
| Gross settled                     |  |                                      |   |   |
| Forward exchange contracts        |  |                                      |   |   |
| Inflows                           | \$ 67,697  | \$ 49,234                            | \$ 11,975                                 | \$ -                                    |
| Outflows                          | (68,030 )  | (49,445 )                            | (12,008 )                                 | -                                       |
|                                   | (333 )   | (211 )                               | (33 )                                     | -                                       |
| Swap contracts                    |  |                                      |   |   |
| Inflows                           | 111,173  | 277,291                              | 795,223                                   | -                                       |
| Outflows                          | (109,778)  | (273,513)                            | (773,159)                                 | -                                       |
|                                   | 1,395  | 3,778                                | 22,064                                    | -                                       |
| Cross currency swap contracts     |  |                                      |   |   |
| Inflows                           | 5  | 12                                   | 20,019                                    | -                                       |
| Outflows                          | -  | -                                    | (19,658 )                                 | -                                       |
|                                   | 5  | 12                                   | 361                                       | -                                       |
| Interest rate swap contracts      |  |                                      |   |   |
| Inflows                           | 131  | -                                    | 287                                       | -                                       |
| Outflows                          | (195 )   | -                                    | (400 )                                    | -                                       |
|                                   | (64 )  | -                                    | (113 )                                    | -                                       |
|                                   | \$ 1,003   | \$ 3,579                             | \$ 22,279                                 | \$ -                                    |

32.

## RELATED PARTY TRANSACTIONS

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

a. The Group and its related parties had no significant transaction for the three months ended March 31, 2013 and 2014.

b. Compensation to key management personnel

For the Three Months Ended March 31

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|                              | 2013       | 2014       | US\$ (Note<br>4) |
|------------------------------|------------|------------|------------------|
|                              | NT\$       | NT\$       |                  |
| Short-term employee benefits | \$ 97,488  | \$ 192,637 | \$ 6,326         |
| Post-employment benefits     | 2,718      | 1,338      | 44               |
| Share-based payments         | 13,173     | 10,106     | 332              |
|                              | \$ 113,379 | \$ 204,081 | \$ 6,702         |

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

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

In addition to Note 11, the following assets were provided as collateral for bank borrowings, the tariff guarantees of imported raw materials or the security deposits for hiring foreign workers:

|  | March 31,<br>2013 | December 31,<br>2013 | March 31,<br>2014 | US\$ (Note<br>4) |
|--|-------------------|----------------------|-------------------|------------------|
|  | NT\$              | NT\$                 | NT\$              |                  |
| Inventories related to real estate business                | \$ -              | \$ 12,239,500        | \$ 12,722,773     | \$ 417,825       |
| Property, plant and equipment                              |                   |                      |                   |                  |
| Land   | 299,059           | 299,059              | 299,059           | 9,821            |
| Buildings and improvements                                 | 361,885           | 337,222              | 329,207           | 10,812           |
| Other financial assets (including current and non-current) | 220,969           | 250,656              | 240,932           | 7,912            |
|  | \$ 881,913        | \$ 13,126,437        | \$ 13,591,971     | \$ 446,370       |

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

#### a. Significant commitments

- 1) As of March 31, 2013, December 31, 2013 and March 31, 2014, unused letters of credit of the Group were approximately NT\$258,000 thousand, NT\$271,000 thousand and NT\$327,000 thousand (US\$10,739 thousand), respectively.
- 2) As of March 31, 2013, December 31, 2013 and March 31, 2014, outstanding commitments to purchase property, plant and equipment of the Group were approximately NT\$10,843,000 thousand, NT\$8,249,000 thousand and NT\$12,565,000 thousand (US\$412,644 thousand), respectively, of which NT\$1,333,036 thousand, NT\$1,291,306 thousand and NT\$1,893,305 thousand (US\$62,178 thousand) had been prepaid, respectively.
- 3) In consideration of corporate social responsibility for environmental protection, the Company's board of directors, in December 2013, approved contributions to be made in the next 30 years, at a total amount of NT\$3,000,000 thousand, at the minimum, to environmental protection efforts in Taiwan.

#### b. Non-cancellable operating lease commitments

|  | March 31, 2014   |
|--|------------------|
|  | US\$ (Note<br>4) |
|  | NT\$             |

|                   |            |           |
|-------------------|------------|-----------|
| Less than 1 year  | \$ 263,700 | \$ 8,660  |
| 1 to 5 years      | 261,103    | 8,575     |
| More than 5 years | 416,426    | 13,676    |
|                   | \$ 941,229 | \$ 30,911 |

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## 35. EXCHANGE RATE INFORMATION OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

|                                | Foreign<br>Currencies<br>(In Thousand) | Exchange Rate    | Carrying<br>Amount<br>(In Thousand) |
|--------------------------------|--|------------------|-------------------------------------|
| March 31, 2013                 |  |                  |                                     |
| Monetary financial assets      |  |                  |                                     |
| US\$                           | \$ 3,012,674                           | US\$1=NT\$29.825 | \$ 89,853,002                       |
| JPY                            | 9,639,061                              | JPY1=NT\$0.3172  | 3,057,510                           |
| Monetary financial liabilities |  |                  |                                     |
| US\$                           | 2,917,839                              | US\$1=NT\$29.825 | 87,024,548                          |
| JPY                            | 11,383,574                             | JPY1=NT\$0.3172  | 3,610,870                           |
| December 31, 2013              |  |                  |                                     |
| Monetary financial assets      |  |                  |                                     |
| US\$                           | 3,381,706                              | US\$1=NT\$29.805 | 100,791,747                         |
| JPY                            | 12,302,816                             | JPY1=NT\$0.2839  | 3,492,769                           |
| Monetary financial liabilities |  |                  |                                     |
| US\$                           | 3,438,847                              | US\$1=NT\$29.805 | 102,494,835                         |
| JPY                            | 11,659,321                             | JPY1=NT\$0.2839  | 3,310,081                           |
| March 31, 2014                 |  |                  |                                     |
| Monetary financial assets      |  |                  |                                     |
| US\$                           | 3,029,857                              | US\$1=NT\$30.470 | 92,319,743                          |
| JPY                            | 8,896,808                              | JPY1=NT\$0.2960  | 2,633,455                           |
| Monetary financial liabilities |  |                  |                                     |
| US\$                           | 3,083,412                              | US\$1=NT\$30.470 | 93,951,564                          |
| JPY                            | 12,648,956                             | JPY1=NT\$0.2960  | 3,744,091                           |

## 36. OTHERS

On December 20, 2013, the Kaohsiung Environmental Protection Bureau (“KEPB”) issued an official letter No. Kao-Shih-Huan-Chu-Tu-Tzu 10243758100 and an administrative sanction letter No. Kao-Shih-Huan-Chu-Shui-Chu-Tzu 30-102-120022 (“the Administrative Decision”). The Administrative Decision was to suspend the operation at ASE K7 Plant's wafer-level process where nickel is used and impose a fine of NT\$110,065 thousand, which have been recorded under the line item of other income and expenses for the year ended December 31, 2013. After an internal investigation into the plant's wastewater treatment, ASE found out that the accidental discharge of wastewater containing abnormal levels of acidity on October 1, 2013 was because of a malfunction in the

hydrochloric acid storage process in the K7 Plant, and the problem was fixed on the same day. The K7 Plant's wastewater treatment facility is now functioning normally. This event was an isolated incident, to which ASE did not react properly.

On January 17, 2014, ASE retained lawyers to file an administrative appeal to nullify the Administrative Decision with the Kaohsiung City Government. At the same time, to resume normal production at the K7 Plant as soon as practicable, ASE also applied to the KEPB for resumption of the operation at K7 Plant's wafer-level process where nickel is used and is taking every step necessary to achieve this objective. On April 25, 2014, the KEPB issued an approval for K7 Plant's trial operation resumption. Meanwhile, owing to the discharge in question, on January 3, 2014, the Kaohsiung District Prosecutors Office charged ASE with violation of the Waste Disposal Act and the case is being heard by the Taiwan Kaohsiung District Court.

## 37. OPERATING SEGMENTS INFORMATION

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

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

Segment information for the three months ended March 31, 2013 and 2014 was as follows:

## Segment revenues and results

|   | Packaging<br>NT\$ | Testing<br>NT\$ | EMS<br>NT\$   | Others<br>NT\$ | Adjustment<br>and<br>Elimination<br>NT\$ | Total<br>NT\$ |
|---|-------------------|-----------------|---------------|----------------|--|---------------|
| For the three months ended March 31, 2013 |                   |                 |               |                |  |               |
| Revenue from external customers           | \$ 24,903,242     | \$ 5,723,041    | \$ 16,383,208 | \$ 1,180,382   | \$ -                                     | \$ 48,189,873 |
| Inter-segment revenues (Note)             | 73,431            | 79,771          | 11,823,804    | 1,703,204      | (13,680,210)                             | -             |
| Segment profit before income tax          | 916,522           | 1,357,314       | 761,106       | 123,803        | -  | 3,158,745     |
| Segment assets                            | 127,208,907       | 40,905,338      | 41,277,465    | 37,592,661     | -  | 246,984,371   |
| For the three months ended March 31, 2014 |                   |                 |               |                |  |               |
| Revenue from external customers           | 26,721,795        | 5,784,611       | 21,365,420    | 827,760        | -  | 54,699,586    |
| Inter-segment revenues (Note)             | 1,159,620         | 35,665          | 9,849,377     | 1,924,733      | (12,969,395)                             | -             |
| Segment profit before income tax          | 2,188,684         | 1,157,844       | 820,517       | 116,272        | -  | 4,283,317     |
| Segment assets                            | 147,705,287       | 41,426,769      | 50,637,352    | 40,051,593     | -  | 279,821,001   |



|  | Packaging<br>US\$ (Note<br>4) | Testing<br>US\$ (Note<br>4) | EMS<br>US\$ (Note<br>4) | Others<br>US\$ (Note<br>4) | Adjustment<br>and<br>Elimination<br>US\$ (Note<br>4) | Total<br>US\$ (Note<br>4) |
|--|-------------------------------|-----------------------------|-------------------------|----------------------------|--|---------------------------|
| For the three months<br>ended March 31, 2014 |                               |                             |                         |                            |  |                           |
| Revenue from external<br>customers           | \$ 877,563                    | \$ 189,971                  | \$ 701,656              | \$ 27,184                  | \$ -   | \$ 1,796,374              |
| Inter-segment revenues<br>(Note)             | 38,083                        | 1,171                       | 323,461                 | 63,210                     | (425,925)  | -                         |
| Segment profit before<br>income tax          | 71,878                        | 38,024                      | 26,946                  | 3,819                      | -  | 140,667                   |
| Segment assets                               | 4,850,748                     | 1,360,485                   | 1,662,967               | 1,315,324                  | -  | 9,189,524                 |

Note: Inter-segment revenues were eliminated upon consolidation.

## ANNEX B

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2014

The following table sets forth, for the periods indicated, financial data from our consolidated statements of comprehensive income, expressed as a percentage of operating revenues.

|                                   | Three Months Ended March 31,       |   |       |   |
|-----------------------------------|------------------------------------|---|-------|---|
|                                   | 2013                               |   | 2014  |   |
|                                   | (unaudited)                        |   |       |   |
|                                   | (percentage of operating revenues) |   |       |   |
| Taiwan IFRS                       |                                    |   |       |   |
| Operating revenues                | 100.0                              | % | 100.0 | % |
| Packaging                         | 51.7                               |   | 48.8  |   |
| Testing                           | 11.9                               |   | 10.6  |   |
| Electronic manufacturing services | 34.0                               |   | 39.1  |   |
| Others                            | 2.4                                |   | 1.5   |   |
| Operating costs                   | (82.8                              | ) | (81.1 | ) |
| Gross profit                      | 17.2                               |   | 18.9  |   |
| Operating expenses                | (9.7                               | ) | (9.7  | ) |
| Profit from operations            | 7.5                                |   | 9.2   |   |
| Non-operating expenses, net       | (0.9                               | ) | (1.4  | ) |
| Profit before income tax          | 6.6                                |   | 7.8   |   |
| Income tax expense                | (1.7                               | ) | (1.3  | ) |
| Profit for the period             | 4.9                                | % | 6.5   | % |
| Attributable to                   |                                    |   |       |   |
| Owners of the company             | 4.6                                | % | 6.3   | % |
| Non-controlling interests         | 0.3                                | % | 0.2   | % |

The following table sets forth, for the periods indicated, the gross margins for the Company's packaging, testing services and electronic manufacturing services and the Company's total gross margin. Gross margin is calculated by dividing gross profits by operating revenues.

|                                   | Three Months Ended March 31,       |   |      |   |
|-----------------------------------|------------------------------------|---|------|---|
|                                   | 2013                               |   | 2014 |   |
|                                   | (unaudited)                        |   |      |   |
|                                   | (percentage of operating revenues) |   |      |   |
| Taiwan IFRS                       |                                    |   |      |   |
| Gross profit                      |                                    |   |      |   |
| Packaging                         | 16.1                               |   | 22.8 |   |
| Testing                           | 34.3                               |   | 32.3 |   |
| Electronic manufacturing services | 10.9                               |   | 9.4  |   |
| Overall                           | 17.2                               | % | 18.9 | % |

The following table sets forth, for the periods indicated, a breakdown of the Company's total operating cost and operating expenses, expressed as a percentage of operating revenues.



|   | Three Months Ended March 31,       |   |      |   |
|---|------------------------------------|---|------|---|
|   | 2013                               |   | 2014 |   |
|   | (unaudited)                        |   |      |   |
|   | (percentage of operating revenues) |   |      |   |
| Taiwan IFRS                                   |                                    |   |      |   |
| Operating costs                               |                                    |   |      |   |
| Raw materials                                 | 45.6                               | % | 45.6 | % |
| Labor   | 13.3                               |   | 13.6 |   |
| Depreciation, amortization and rental expense | 12.5                               |   | 11.2 |   |
| Others  | 11.4                               |   | 10.7 |   |
| Total operating costs                         | 82.8                               | % | 81.1 | % |
| Operating expenses                            |                                    |   |      |   |
| Selling, general and administrative           | 5.6                                |   | 5.5  |   |
| Research and development                      | 4.1                                |   | 4.2  |   |
| Total operating expenses                      | 9.7                                | % | 9.7  | % |

## Results of Operations

### Operating Revenues

Operating revenues increased by 13.5% to NT\$54,699.6 million (US\$1,796.4 million) for the three months ended March 31, 2014 from NT\$48,189.9 million for the three months ended March 31, 2013 which was primarily attributable to an increase in revenues from the Company's electronic manufacturing service business and packaging business. Packaging revenues increased by 7.3% to NT\$26,721.8 million (US\$877.6 million) for the three months ended March 31, 2014 from NT\$24,903.2 million for the three months ended March 31, 2013. Testing revenues increased by 1.1% to NT\$5,784.6 million (US\$190.0 million) for the three months ended March 31, 2014 from NT\$5,723.0 million for the three months ended March 31, 2013. Revenues from the Company's electronic manufacturing services business increased by 30.4% to NT\$21,365.4 million (US\$701.7 million) for the three months ended March 31, 2014 from NT\$16,383.2 million for the three months ended March 31, 2013. The increase in packaging revenues was primarily due to an increase in the sale of IC wirebonding packaging products in response to a higher market demand. Revenues from the Company's testing revenues remained relatively stable for the three months ended March 31, 2013 and 2014. The increase in the revenues from the Company's electronic manufacturing services business was primarily due to an increase in the outsourced orders of communications products from original design manufacturers.

### Gross Profit

Gross profit increased by 25.0% to NT\$10,349.1 million (US\$339.9 million) for the three months ended March 31, 2014 from NT\$8,280.6 million for the three months ended March 31, 2013. The Company's gross profit as a percentage of operating revenues, or gross margin, increased to 18.9% for the three months ended March 31, 2014 from 17.2% for the three months ended March 31, 2013. This increase was primarily due to a stronger growth in the Company's higher margin packaging business.

Raw material costs for the three months ended March 31, 2014 were NT\$24,966.0 million (US\$819.9 million) compared to NT\$21,945.8 million for the three months ended March 31, 2013. As a percentage of operating revenues, raw material costs remained at 45.6% for the three months ended March 31, 2013 and 2014. Labor cost increased by 15.8% to NT\$7,440.4 million (US\$244.3 million) for the three months ended March 31, 2014 from NT\$6,427.4 million for the three months ended March 31, 2013 due to an increase in salary and bonus payments as a result of an increase in headcount. As a percentage of operating revenues, labor cost increased to 13.6% for the three months

ended March 31, 2014 from 13.3% for the three months ended March 31, 2013. Depreciation, amortization and rental expenses for the three months ended March 31, 2014 were NT\$6,108.6 million (US\$200.6 million), compared to NT\$6,028.9 million for the three months ended March 31, 2013. As a percentage of operating revenues, depreciation, amortization and

rental expenses decreased to 11.2% for the three months ended March 31, 2014 from 12.5% for the three months ended March 31, 2013. This decrease was primarily due to an increase in operating revenue for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013.

The Company's gross margin for packaging business increased to 22.8% for the three months ended March 31, 2014 from 16.1% for the three months ended March 31, 2013 due to a decrease in raw material costs as a percentage of net packaging revenues. The Company's gross margin for testing business decreased to 32.3% for the three months ended March 31, 2014 from 34.3% for the three months ended March 31, 2013 due to the slight decrease in sales in the Company's advanced testing services with higher gross margin. The Company's gross margin for electronic manufacturing services business decreased to 9.4% for the three months ended March 31, 2014 from 10.9% for the three months ended March 31, 2013 primarily due to the increase in sales of the communications products with lower gross margin.

#### Profit from Operations

Profit from operations increased by 40.7% to NT\$5,069.7 million (US\$166.5 million) for the three months ended March 31, 2014 compared to NT\$3,602.7 million for the three months ended March 31, 2013. The Company's profit from operations as a percentage of operating revenues, or operating margin, increased to 9.2% for the three months ended March 31, 2014 from 7.5% for the three months ended March 31, 2013, primarily due to an increase in gross margin.

Operating expense increased by 12.9% to NT\$5,279.4 million (US\$173.4 million) for the three months ended March 31, 2014 compared to NT\$4,677.8 million for the three months ended March 31, 2013. The increase in operating expense was primarily due to increases in the research and development expense. Selling, general and administrative expense increased by 10.8% to NT\$2,985.7 million (US\$98.1 million) for the three months ended March 31, 2014 from NT\$2,693.5 million for the three months ended March 31, 2013, primarily due to an increase in salary and bonus payments due to an increase in headcount. Selling, general and administrative expense represented 5.5% of the Company's operating revenues for the three months ended March 31, 2014 compared to 5.6% for the three months ended March 31, 2013. Research and development expense increased by 15.6% to NT\$2,293.7 million (US\$75.3 million) for the three months ended March 31, 2014 from NT\$1,984.3 million for the three months ended March 31, 2013. Research and development expense represented 4.2% of the Company's operating revenues for the three months ended March 31, 2014 compared to 4.1% for the three months ended March 31, 2013. This increase in the research and development expense was primarily due to an increase in salaries and bonuses as a result of an increase in headcount for research and development staff for the three months ended March 31, 2014.

#### Non-Operating Expenses

The Company incurred net non-operating expenses of NT\$786.4 million (US\$25.8 million) for the three months ended March 31, 2014 compared to net non-operating expenses of NT\$444.0 million for the three months ended March 31, 2013. This change was primarily due to an increase in losses from the change of the net gain/loss on valuation of financial assets and liabilities and net foreign exchange gain/loss from a gain of NT\$141.8 million for the three months ended March 31, 2013 to a loss of NT\$342.0 million (US\$11.2 million) for the three months ended March 31, 2014, which resulted from the increase of valuation losses on the derivative contracts utilized from time to time to minimize the impact of foreign currency fluctuations on the Company's operations.

#### Profit for the period

Profit for the period attributable to owners of the Company increased by 54.1% to NT\$3,437.9 million (US\$112.9 million) for the three months ended March 31, 2014 from NT\$2,230.6 million for the three months ended March 31,

2013. The Company's diluted earnings per share increased by 51.7% to NT\$0.44 (US\$0.01) for the three months ended March 31, 2014 from diluted earnings per share of NT\$0.29 for the three months ended March 31, 2013. The Company's income tax expense decreased by 9.5% to NT\$726.8 million (US\$23.9 million) for the three months ended March 31, 2014 from NT\$802.7 million for the three months ended March 31, 2013, primarily due to the income tax imposed on the Company's real estate

business in the PRC for the three months ended March 31, 2013 and an increase in tax-exempt income for the three months ended March 31, 2014.

#### Cash Flows

Net cash generated from operating activities was NT\$13,167.6 million (US\$432.4 million) for the three months ended March 31, 2014. The Company recorded a consolidated income before tax of NT\$4,283.3 million (US\$140.7 million) for the three months ended March 31, 2014, which was positively adjusted mainly for the non-cash item of depreciation and amortization of NT\$6,405.2 million (US\$210.4 million) and partially adjusted for the decrease in accounts receivable of NT\$5,393.3 million (US\$177.1 million), but negatively offset by the decrease in trades payable of NT\$3,517.5 million (US\$115.5 million).

Net cash used in investing activities was NT\$3,531.0 million (US\$116.0 million) for the three months ended March 31, 2014. This cash outflow was primarily attributable to the Company's payments for property, plant and equipment of NT\$3,975.2 million (US\$130.5 million).

Net cash used in financing activities was NT\$12,214.6 million (US\$401.1 million) for the three months ended March 31, 2014. This cash outflow primarily attributable to a decrease short-term borrowings of NT\$11,399.5 million (US\$374.4 million) and the net repayment of long-term borrowings of NT\$1,270.2 million (US\$41.7 million).

#### Recent Monthly Results

The Company's unaudited consolidated operating revenues, prepared based on Taiwan IFRS, for the months ended April 30 and May 31, 2014 were NT\$19,016.8 million (US\$624.5 million) and NT\$20,111.3 million (US\$660.5 million), respectively. These unaudited consolidated operating revenues are not necessarily indicative of the results to be expected for any future period and remain subject to the completion of the Company's financial closing procedures. Accordingly, this data may change and those changes may be material.