SILICONWARE PRECISION INDUSTRIES CO., LTD

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying consolidated balance sheets of Siliconware Precision Industries Co., Ltd. and its subsidiaries as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Siliconware Precision Industries Co., Ltd. and its subsidiaries as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Siliconware Precision Industries Co., Ltd. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Siliconware Precision Industries Co., Ltd. and its subsidiaries of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Revenue recognition

Description

As described in Note 4(25), the Company provides assembly and testing services for integrated circuits with each of the captioned services regarded as a separate stage. Actual services and the fees for services provided by the Company vary by customer. Revenue is recognized when each stage of service has been completed.
Revenue has a material impact on the financial statements as a whole and revenue recognition is impacted by different combination of services fees and the completion point of each stage of service. Moreover, the determination whether the stage of service provided has met the revenue recognition criteria as of the balance sheet date will have an impact on the period of revenue recognition. As a result, we include revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures are as follows:

- Assessed the procedures in recording the completion of each stage of service.

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- Understood the formula logic of the report used to determine revenue recognition, and tested the accuracy and completeness and assessed the access control of the report.
- Understood and tested the internal control on quotation and billing procedures.
- In order to assess the reasonableness of revenue cut-off, we assessed the service completion condition for a certain period before and after the balance sheet date and compared the completion condition with the system information for consistency.
- In order to confirm that the accounts receivable and sales revenue are recorded in the proper period and met the revenue recognition criteria, we performed external confirmation and subsequent cash receipt testing over the balance of accounts receivable as of the balance sheet date.

Fair value valuation of derivatives

Description

Please refer to Note 4(19) for the accounting policy of derivatives and Note 5(2) for the critical accounting judgments and key sources of estimation and uncertainty.

The conversion options, redemption options and put options contained in the convertible bonds issued by the Company are derivatives that are not traded in active market. The fair value of the derivatives is determined by using valuation techniques. The Company applies professional judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. When valuing these derivatives, the Company maximizes the use of observable market data, exchange rate and interest rate.

The stock price of the Company fluctuated significantly in the past year due to acquisition of the Company's shares by Advanced Semiconductor Engineering, Inc. ("ASE"). The stock price is not expected to fluctuate significantly after the Company entered into the Joint Share Exchange Agreement (the "Agreement") with ASE on June 30, 2016. As a result of considering the rationality of the expected volatility of the stock price, the Company excluded the stock prices traded between August 21, 2015, ASE's first public tender offer date, and March 23, 2016, the date which the Taiwan Fair Trade Commissions suspended the review of the proposed business combination between ASE and the Company. The exclusion of certain stock prices involves judgement and the fair value of the derivatives has a material impact on the consolidated financial statements. The expected volatility of the value of derivative instrument is also a significant valuation assumption. As a result, we include fair value valuation of derivatives assessment as a key audit matter.

How our audit addressed the matter

Our audit procedures are as follows:

- Obtained external valuation report of the fair value of the derivatives, and examined the Company's procedures for evaluating significant assumptions applied in the valuation report.
- Involved our internal specialist to evaluate the rationality of the valuation model and significant assumptions applied as well as performing an independent testing over the fair value of derivatives.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Siliconware Precision Industries Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing Siliconware Precision Industries Co., Ltd. and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Siliconware Precision Industries Co., Ltd. and its subsidiaries' internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Siliconware Precision Industries Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Siliconware Precision Industries Co., Ltd. and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Siliconware Precision Industries Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Siliconware Precision Industries Co., Ltd. and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

Tina Cheng

Tina Cheng

Wilson Wang

Wilson Wang

for and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or audit standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SILICONWARE PRECISION INDUSTRIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	As of December 31, 2016	As of December 31, 2015
Current Assets			
Cash and cash equivalents	6 (1) , 6 (7)	$ 24,476,270	$ 25,191,374
Available-for-sale financial assets, current	6 (5) , 6 (7)	178,176	1,067,204
Notes receivable, net	6 (7)	23,591	11,403
Accounts receivable, net	6 (2) , 6 (7)	17,354,883	15,825,728
Other receivables	6 (7)	581,630	473,431
Inventories	6 (3)	6,498,832	4,502,319
Non-current assets held for sale	6 (4) , 6 (8)	387,503	-
Other current assets-other	6 (7) , 8	950,410	1,713,753
		50,451,295	48,785,212
Non-current Assets			
Available-for-sale financial assets, non-current	6 (5) , 6 (7)	3,615,658	5,526,412
Investments accounted for using the equity method	6 (6)	2,400,981	2,522,658
Property, plant and equipment	6 (8)	65,380,409	64,305,608
Intangible assets	6 (9)	175,862	192,774
Deferred income tax assets	6 (22)	786,196	948,032
Other non-current assets-other	6 (7)	949,840	964,534
		73,308,946	74,460,018
TOTAL ASSETS		$ 123,760,241	$ 123,245,230
Current Liabilities			
Short-term loans	6 (7) , 6 (13)	$ 2,741,250	$ 2,790,125
Financial liabilities at fair value through profit or loss, current	6 (7) , 6 (10)	773,908	1,798,920
Accounts payable	6 (7)	8,194,647	6,942,527
Other payables	6 (7) , 6 (11)	11,896,517	11,512,740
Current income tax liabilities	6 (22)	653,222	911,324
Current portion of convertible bonds	6 (7) , 6 (12)	12,712,651	-
Current portion of long-term loans	6 (7) , 6 (13)	3,500,747	5,991,128
Other current liabilities-other	6 (7)	615,497	730,475
		41,088,439	30,677,239
Non-current Liabilities			
Convertible bonds	6 (7) , 6 (12)	-	12,627,311
Long-term loans	6 (7) , 6 (13)	14,840,000	7,858,036
Deferred income tax liabilities	6 (22)	134,827	87,749
Other non-current liabilities	6 (7) , 6 (14)	1,509,655	1,394,253
		16,484,482	21,967,349
Total Liabilities		57,572,921	52,644,588
Shareholders' Equity			
Capital stock	6 (15)	31,163,611	31,163,611
Capital reserve	6 (16)	12,641,997	15,758,358
Retained earnings	6 (17)		
Legal reserve		10,844,001	9,967,775
Unappropriated earnings		10,252,276	9,921,153
Accumulated other comprehensive income	6 (18)	1,285,435	3,789,745
Total Shareholders' Equity		66,187,320	70,600,642
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 123,760,241	$ 123,245,230

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

SILICONWARE PRECISION INDUSTRIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	Notes	For the years ended December 31, 2016	2015
Operating Revenues		$ 85,111,913	$ 82,839,922
Operating Costs	6 (3) , 6 (9) , 6 (19)	(65,762,191)	(61,230,622)
Gross Profit		19,349,722	21,609,300
Operating Expenses	6 (9) , 6 (19)		
Selling expenses		(1,024,689)	(944,499)
General and administrative expenses		(3,495,613)	(3,671,161)
Research and development expenses		(4,043,290)	(3,739,109)
		(8,563,592)	(8,354,769)
Operating Profit		10,786,130	13,254,531
Non-operating Income and Expenses			
Other income	6 (5) , 6 (20) , 6 (24)	360,015	333,884
Other gains and losses	6 (21)	(341,655)	(311,628)
Finance costs		(562,337)	(565,450)
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	6 (6)	13,652	(183,708)
Dividends income		277,798	347,408
Gains on disposal of investments	6 (5) , 6 (6) , 6 (24)	217,199	140,626
Gain on financial liabilities at fair value through profit or loss	6 (10)	1,025,012	-
Loss on financial liabilities at fair value through profit or loss	6 (10)	-	(703,368)
Impairment losses	6 (5) , 6 (8)	(91,247)	(1,921,438)
		898,437	(2,863,674)
Income before Income Tax		11,684,567	10,390,857
Income Tax Expense	6 (22)	(1,751,407)	(1,628,600)
Net Income		$ 9,933,160	$ 8,762,257
Other Comprehensive Income	6 (18) , 6 (22)		
Items that will not be reclassiflied to profit or loss			
Remeasurements of post-employment benefit obligations		(177,806)	(179,842)
Income tax relating to items that will not be reclassified to profit or loss		30,227	30,572
Items that may be subsequently reclassified to profit or loss			
Exchange difference on translation of foreign financial statements		(908,801)	(227,905)
Unrealized loss on available-for-sale financial assets		(1,469,105)	(549,845)
Share of other comprehensive income of associates		(132,938)	
Income tax relating to items that may be reclassified to profit or loss		154,113	20,967
Other Comprehensive Loss for the year, net of tax		(2,504,310)	(906,053)
Total Comprehensive Income for the year		$ 7,428,850	$ 7,856,204
Net Income Attributable to:			
Owners of the parent		$ 9,933,160	$ 8,762,257
Non-controlling interests		$ -	$ -
Total Comprehensive Income Attributable to:			
Owners of the parent		$ 7,428,850	$ 7,856,204
Non-controlling interests		$ -	$ -
Earnings Per Share	6 (23)		
Basic		$ 3.19	$ 2.81
Diluted		$ 2.68	$ 2.78

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

SILICONWARE PRECISION INDUSTRIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

				Retained Earnings		Other Equity Items			
	Notes	Capital Stock	Capital Reserve	Legal Reserve	Unappropriated Earnings	Unrealized Gain/Loss on Valuation of Available-for-sale Financial Assets	Exchange Difference on Translation of Foreign Financial Statements	Remeasurements of Post-Employment Benefit Obligations	Total
For the year ended December 31, 2015									
Balance at January 1, 2015		$ 31,163,611	$ 15,771,456	$ 8,797,005	$ 11,707,700	$ 3,951,916	$ 720,543	$ -	$ 72,112,231
Effect of restrospective application and restatement		-	-	-	(28,951)	-	-	23,339	(5,612)
Adjusted balance at January 1, 2015		31,163,611	15,771,456	8,797,005	11,678,749	3,951,916	720,543	23,339	72,106,619
Appropriation of earnings for prior years:	6(17)								
Legal reserve		-	-	1,170,770	(1,170,770)	-	-	-	-
Cash dividends		-	-	-	(9,349,083)	-	-	-	(9,349,083)
Adjustment for changes in ownership percentage in equity investments	6(16)	-	(12,978)	-	-	-	-	-	(12,978)
Adjustment for changes in equity of the subsidiaries	6(16)	-	(120)	-	-	-	-	-	(120)
Net income		-	-	-	8,762,257	-	-	-	8,762,257
Other comprehensive income (loss)	6(18)	-	-	-	-	(529,330)	(227,453)	(149,270)	(906,053)
Total comprehensive income (loss)		-	-	-	8,762,257	(529,330)	(227,453)	(149,270)	7,856,204
Balance at December 31, 2015		$ 31,163,611	$ 15,758,358	$ 9,967,775	$ 9,921,153	$ 3,422,586	$ 493,090	($ 125,931)	$ 70,600,642
For the year ended December 31, 2016									
Balance at January 1, 2016		$ 31,163,611	$ 15,758,358	$ 9,967,775	$ 9,921,153	$ 3,422,586	$ 493,090	($ 125,931)	$ 70,600,642
Appropriation of earnings for prior years:	6(17)								
Legal reserve		-	-	876,226	(876,226)	-	-	-	-
Cash dividends		-	-	-	(8,725,811)	-	-	-	(8,725,811)
Cash distribution from capital reserve	6(16)	-	(3,116,361)	-	-	-	-	-	(3,116,361)
Net income		-	-	-	9,933,160	-	-	-	9,933,160
Other comprehensive income (loss)	6(18)	-	-	-	-	(1,448,336)	(908,395)	(147,579)	(2,504,310)
Total comprehensive income (loss)		-	-	-	9,933,160	(1,448,336)	(908,395)	(147,579)	7,428,850
Balance at December 31, 2016		$ 31,163,611	$ 12,641,997	$ 10,844,001	$ 10,252,276	$ 1,974,250	($ 415,305)	($ 273,510)	$ 66,187,320

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

SILICONWARE PRECISION INDUSTRIES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2016	2015
Cash flows from operating activities			
Consolidated income before tax		$ 11,684,567	$ 10,390,857
Adjustments to reconcile consolidated income before tax to net cash provided by operating activities:			
Depreciation	6(8) , 6(19)	12,905,830	12,903,772
Amortization	6(19)	385,360	610,213
(Gain)/loss on financial liabilities at fair value through profit or loss	6(10)	(1,025,012)	703,368
Interest expense		561,613	564,540
Interest income	6(20)	(148,484)	(155,524)
Dividend income		(277,798)	(347,408)
Foreign currency exchange (gain) loss on convertible bonds payable		(221,082)	451,156
Share of losses (gains) of associates accounted for using the equity method	6(6)	(13,652)	183,708
Gains on disposal of property, plant and equipment	6(21)	(32,615)	(31,293)
Gains on disposal of investments	6(5) , 6(6)	(217,199)	(140,626)
Impairment loss on financial assets	6(5)	-	1,856,442
Gain on reversal of impairment loss of non-financial assets	6(6) , 6(21)	-	(134,992)
Impairment losses on non-financial assets	6(8)	91,247	64,996
Foreign currency exchange gains on loan		(105,712)	(28,790)
Premium from merger of avalible-for-sale financial assets	6(5) , 6(24)	(51,923)	-
Changes in assets and liabilities related to the operation			
Notes receivable		(13,195)	(1,325)
Accounts receivable		(1,794,834)	2,658,604
Other receivables		1,301	295,714
Inventories		(1,321,346)	(132,271)
Other current assets-other		(2,590)	(384,471)
Other non-current assets-other		23,405	(95,494)
Accounts payable		1,359,898	(321,445)
Other payables		392,429	410,903
Other current liabilities		(23,780)	30,821
Other non-current liabilities		58,033	(6,277)
Cash provided by operations		22,214,461	29,345,178
Interest received		150,419	162,742
Dividend received		277,798	347,408
Interest paid		(247,829)	(257,415)
Income tax paid		(1,550,297)	(2,813,747)
Net cash provided by operating activities		20,844,552	26,784,166

(Continued)

SILICONWARE PRECISION INDUSTRIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2016	2015
Cash flows from investing activities			
Proceeds from disposal of available-for-sale financial assets	6(5)	$ 1,454,403	$ -
Acquisition of investments accounted for using the equity method	6(6)	-	(2,400,000)
Proceeds from disposal of investments accounted for using the equity method	6(6)	-	29,645
Acquisition of property, plant and equipment	6(24)	(15,295,121)	(13,855,431)
Proceeds from disposal of property, plant and equipment		167,021	111,274
Increase in refundable deposits		(561,010)	(162,225)
Decrease in refundable deposits		237,007	65,326
Acquisition of intangible assets	6(9)	(71,011)	(112,692)
Decrease (increase) in pledged deposits	8	27,000	(44,800)
Increase in other non-current assets		-	(218,536)
Net cash used in investing activities		(14,041,711)	(16,587,439)
Cash flows from financing activities			
Proceeds from issurance of subsidiary's stock		-	(120)
Proceeds from long-term loans		9,000,000	2,500,000
Repayment of long-term loans		(4,228,721)	(8,235,833)
Increase in deposit-in		35,889	65,112
Decrease in deposit-in		(126,329)	(76,366)
Payment for cash dividends and cash distribution from capital reserve	6(16) , 6(17)	(11,842,172)	(9,349,083)
Net cash used in financing activities		(7,161,333)	(15,096,290)
Effect on foreign currency exchange		(356,612)	(63,776)
Net decrease in cash and cash equivalents		(715,104)	(4,963,339)
Cash and cash equivalents at the beginning of the year		25,191,374	30,154,713
Cash and cash equivalents at the end of the year	6(1)	$ 24,476,270	$ 25,191,374

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

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

1. History and Organization

Siliconware Precision Industries Co., Ltd. (the "Company") was incorporated as a company limited by shares under the Company Law of the Republic of China (R.O.C.) in May 1984, and has been listed on the Taiwan Stock Exchange (TWSE) since April 1993, and on the NASDAQ National Market under the trading symbol of SPIL since June 2000. The Company is mainly engaged in the assembly, testing and turnkey services of integrated circuits. The address of the registered office is No. 123, Sec. 3, Da Fong Rd., Tantzu, Taichung 427, Taiwan, R.O.C.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements have been authorized to issue by the Board of Directors on February 23, 2017.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted

New standards, interpretations and amendments endorsed by the FSC for application from 2017:

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

Except for the following, the initial application of the above new standards and interpretations has not had any material impact on the Company's accounting policies.

The amendments to IAS 36, "Recoverable Amount Disclosures for Non-Financial Assets" clarify that the Company is only required to disclose the recoverable amount in the year of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation technique(s) used and key assumptions.

(3) IFRS issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017. As of the date the parent company only financial statements were authorized for issue, except for the IFRS 9 and IFRS 15 will be effective on January 1, 2018, the FSC has not announced the effective dates for other new standards.

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Clarifications and measurement of share based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments to IFRS 4)	January 1, 2018
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15, “Revenue from contracts with customers” replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue” and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or remaining benefits from, the asset.

An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The amendments to IFRS 15 clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

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

B. IFRS 9, “Financial instruments”

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an expected credit loss approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and SICs.

The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). On the parent company only statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense computed by using effective interest method accrued on the lease liability. On the parent company only statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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

4. Summary of Significant Accounting Policies

(1) Compliance Statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of Consolidation

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair value and defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation. The preparation of consolidated financial statements requires the use of certain critical accounting estimates and also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Principles of Consolidation

A. Pursuant to IFRS 10, "Consolidated Financial Statements", the consolidated financial statements includes all the entities controlled by the Company or its subsidiaries. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. Control also exists when the parent owns half or less of the voting power of an entity but can achieve control through other means and conditions.

B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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C. Consolidated subsidiaries:

			% of ownership held by the named investors as of December 31,	
Name of investor	Name of subsidiaries	Main operating activities	2016	2015
The Company	SPIL (B.V.I.) Holding Limited	Investment activities	100%	100%
The Company	Siliconware Investment Co., Ltd	Investment activities	100%	100%
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc. (SUI)	Communications and relationship maintenance with companies headquartered in North America	100%	100%
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Investment activities	100%	100%
SPIL (Cayman) Holding Limited	Siliconware Technology (Suzhou) Limited	Assembly and testing services	100%	100%

D. Subsidiaries not included in the consolidated financial statements: None

E. Adjustments for subsidiaries with different accounting periods: None

F. Significant restrictions: None

(4) Segment Reporting

The chief operating decision-makers assess performance and allocate resources based on the economic environments. All of the Group’s segments have similar economic characteristics and meet the criteria of aggregation. As a result, the Group discloses a single reporting segment by aggregating all the operating segments.

(5) Foreign Currency Translation

A. Items included in the financial statements of each of the Group’s entities are measured using its functional currency. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Group’s presentation currency and the Company’s functional currency. Entities with presentation currency different from functional currency translate assets and liabilities at the closing rate, and income and expenses at the average exchange rate for the period.

B. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in other gains and losses of the statement of comprehensive income.

C. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. Translation differences from group entities that have a functional currency different from the presentation currency is recognized in other comprehensive income. When disposing of foreign operations, those translation differences recognized in other comprehensive income would be realized as profit or loss.

(6) Classification of Current and Noncurrent Assets / Liabilities

A. Assets that meet one of the following criteria are classified as current assets, otherwise they are classified as noncurrent assets:

(a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operation cycle;

(b) Assets held mainly for trading purposes;

(c) Assets expected to be realized within twelve months from the balance sheet date;

(d) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities, otherwise they are classified as noncurrent liabilities:

(a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(7) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, time deposits that meet operating short-term cash commitments and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and other short-term highly liquid investments.

(8) Accounts Receivable

Accounts receivable is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Accounts receivable expected to be collected within one year is not reported at present value due to the facts that the difference between the maturity value and the fair value discounted by implicit interest rate is immaterial and the frequency of transactions is high.

(9) Inventories

Inventories are recorded at cost when acquired under a perpetual inventory system. Cost is determined using the weighted-average method. The cost of work in process comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity. As of the balance sheet date, inventories are stated at the lower of cost or net realizable value by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and necessary selling expenses.

In the service agreements with and/or purchase orders from customers, the Group and the customer both agree what materials are to be provided by the customer and what materials are to be provided by the Group. Materials provided by the customers are considered consigned materials. According to the service agreement and/or purchase order, title (ownership) of the consigned materials belongs to the customers. The Group does not take title to these consigned materials. The Group does not have any rights or obligations with respect to the consigned materials other than keeping them in good care while under the Group's custody, and therefore the risk does not transfer to the Group. In addition, the customers are informed of the status and locations of integrated circuits being assembled and/or tested by the Group which provides further evidence that the customers are taking control or monitoring those consigned materials. As such, the Group does not book the consigned materials into its inventory account.

(10)Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset held for sale is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation would cease.

(11)Financial Assets

A. Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Except for maturities greater than one year after the end of the reporting period, which are classified as non-current assets; otherwise, they are classified as current assets. The Group's loans and receivables are comprised of accounts receivable and other receivables on the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Except for those that are expected to be disposed more than one year after the end of the reporting period, which are classified as non-current assets, otherwise, they are classified as current assets.

B. Recognition and Measurement

(a) Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Group commits to purchase or sell the asset). Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statements of comprehensive income. Other financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or transferred and the Group has transferred substantially all risks and rewards of ownership.

(b) Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are presented as non-operating income and expenses in the statements of comprehensive income. Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Dividend income from these two categories of assets is recognized in the statements of comprehensive income as dividend income when the Group has the right to receive dividend.

(c) Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest method. Subsequent interest is recognized in the statements of comprehensive income as other income.

(d) When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statements of comprehensive income as "gain/loss on disposal of investment" and "impairment losses", respectively.

(12)Impairment of Financial Assets

A. Loans and Receivables

(a) The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if:

i. There is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a “loss event”),

ii. That loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets, and

iii. The amount can be reliably estimated.

Evidence of impairment includes:

i. The issuer or the debtor is experiencing significant financial difficulty;

ii. Default or delinquency in interest or principal payment;

iii. Concessions made to the insolvent debtor by creditors owing to economic or legal considerations;

iv. The probability that they will enter bankruptcy or other financial reorganization;

v. The disappearance of an active market for that financial asset because of financial difficulties;

vi. Where observable data indicates that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, such as:

- Deterioration of debtor’s repayment condition
- Changes in national or local economic conditions that correlate with defaults on the assets in the group

(b) The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For those impaired assets, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of comprehensive income. In subsequent period, if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income. The reversal shall not result in a carrying amount of a financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

B. Available-for-sale Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Other than the conditions mentioned in item A. (a) above, in the case of equity investments classified as available-for-sale, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. Significant or prolonged decline in the fair value of the security below its cost is also objective evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss-is removed from equity and recognized in profit or loss. Impairment losses already recognized in the consolidated statements of comprehensive income on equity instruments are not reversed through profit or loss.

(13)Investments Accounted for Using the Equity Method

The investments accounted for using the equity method include investments in associates.

A. Associates are all entities over which the Group has significant influence, exclusive of subsidiaries. Significant influence means the power to participate in the financial and operating policy decisions of the investees, but not control or jointly control those decisions. The Group applies the equity method to account for its investment in associates. The investments are initially recognized at cost, and the portion of acquisition cost over net identifiable assets is recognized as goodwill, which is never amortized and perceived as a segment of overall investment while assessing the impairment. Any excess of the Group's share of the net fair value of the identifiable assets over the acquisition cost is recognized in profit or loss.

B. The Group's share of post-acquisition profit or loss in associates is recognized under non-operating income and expenses in the consolidated statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals to or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has legal or constructive obligations or made payments on behalf of the associate. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in 'capital reserve' and 'retained earnings' in proportion to its ownership.

C. Profits and losses resulting from the transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then capital surplus shall be adjusted for its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately.

D. When the Group disposes associates, (e.g., loss of significant influence over associates), other comprehensive income and capital surplus previously recognized in relation to the investment in associates shall be reclassified to profit and loss. The associate is to be re-measured, with the difference between fair value and carrying value recognized in current period's profit or loss. If the Group still retains significant influence over the associate, then the aforementioned other comprehensive income and capital surplus are reclassified to profit or loss proportionately.

E. The Group assesses its associates for signs of impairment every quarter. If there is any, the Group would calculate the recoverable amount and recognize impairment loss.

(14)Property, Plant and Equipment

A. Property, plant and equipment are stated at historical cost. The acquisition costs include the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, and the obligations to dismantle and remove the items and restore the site on which they are located. The subsequent costs will only be recognized under the conditions that future economic benefits associated with the item will flow to the Group and the item cost can be measured reliably. Day-to-day servicing costs and repairment expenditures are recognized as expenses as incurred.

B. The Group capitalizes borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. The capitalized borrowing costs will be depreciated through the residual useful lives of related items. Borrowing costs which do not qualify for capitalization are recognized in profit or loss.

C. If material part of replacing items of property, plant and equipment has different useful live from the main asset, it should be recognized and depreciated separately. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Property, plant and equipment	Estimated useful lives
Main buildings	20 - 55 years
Construction and improvements	3 - 15 years
Machinery and equipment	5 - 6 years
Other equipment	2 - 10 years

D. The assets' residual value, useful lives, and depreciation method are reviewed and adjusted when appropriate in each reporting period. Gains and losses on disposals are recognized as other gains and losses in the statements of comprehensive income.

(15)Intangible Assets

Intangible assets are the expenditures of license fees and computer software. License fees are capitalized at historical cost. Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Both license fees and computer software are intangible assets with limited useful lives. Computer software is amortized over 3 years whereas license fees are amortized over their economic lives or the contract years using straight-line method. Subsequent measurements are measured using costs less accumulated amortization.

(16)Impairment of Non-financial Assets

Intangible assets with definite useful life and other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value, defined as the price that would be received to dispose an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to dispose, or its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Impairment loss is recognized in profit or loss.

An impairment loss recognized in prior periods for an asset shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of the asset shall be reversed to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in profit or loss.

(17)Accounts Payable

Accounts payable is obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payable is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payables of which payment due is within one year or less are not discounted as their fair value is close to the value in maturity and are transacted actively.

(18)Derecognition of financial liabilities

A. The Group derecognizes a financial liability from its balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

B. The Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences (10%) to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(19)Financial liability at fair value through profit or loss

A. Financial liability is classified in fair value through profit or loss while it is held for trading or identified at fair value through profit or loss on initial recognition. A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or if it is a derivative that is neither classified as a financial guarantee contract nor designated and effective as a hedging instrument. A financial liability is designated as at fair value through profit or loss upon initial recognition if:
   i. Hybrid (combined) contracts; or
   ii. They eliminate or significantly reduce a measurement or recognition inconsistency; or
   iii. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are stated at fair value upon initial recognition, and the related transaction cost are expensed immediately. In subsequent measurement, the Group measures fair value fluctuation in current profit or loss.

(20)Convertible bonds

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares, but not by exchanging a fixed amount of cash for a fixed number of common shares), redemption options and put options. The Company classifies the bonds payable and derivative features embedded in convertible bonds on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement. Convertible bonds are accounted for as follows:

i. Conversion options, redemption options and put options embedded in convertible bonds are recognized initially at net fair value as ‘ financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as ‘gain or loss on valuation of financial liabilities at fair value through profit or loss’.

ii. Bonds payable of convertible bonds is initially recognized at the residual value of total issue price less amount of ‘financial liabilities at fair value through profit or loss’ as stated above, and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.

iii. Any transaction costs directly attributable to the issuance of convertible bonds are allocated to each liability component in proportion to the allocation of proceeds.

iv. When bondholders exercise conversion options, the liability components of the bonds (including ‘bonds payable’ and ‘financial liabilities at fair value through profit or loss’) are remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the liability components.

(21) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognized in the statements of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

(22) Current and Deferred Income Tax

A. Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, that tax is also recognized in other comprehensive income or directly in equity.

B. Current income tax is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

C. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

D. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

E. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(23)Employee Benefits

A. Pensions

(a) For defined contribution plans, the Group pays contributions over employees' service years and recognizes employee benefit expenses when they are due. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits.

(b) For defined benefit plans, net obligation is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity. Past-service costs are recognized immediately in profit or loss.

B. Employees' and directors' remuneration

The Group recognizes related expenses and liabilities when the Group has legal or constructive obligation and could reasonably estimate such amount. Any difference between estimated amount and distributed amount resolved in the Board of Directors in the subsequent year shall be adjusted in the profit or loss of the following year.

(24)Provision

A. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

B. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, which is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

C. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A present obligation that arises from past events but is not recognized because either that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or that the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized on the balance sheet.

(25) Revenue Recognition

The Group provides assembly, testing, and turnkey services for integrated circuits. The Group recognizes revenue when:

A. the amount of revenue can be measured reliably;
B. it is probable that the economic benefits associated with the transaction will flow to the entity;
C. the stage of completion of the transaction at the end of the reporting period can be measured reliably;
D. the costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

Services provided by the Group include wafer bumping, wafer sort, IC packaging and final testing. Actual services and fees of the Group may vary by customers and are pre-agreed before provision of services. The Group regards each of the captioned services as a separate stage. Fees for each stage of services are negotiated independently and the fee for a specific stage is the then market price for that stage. Revenue is recognized when each stage of services has been completed. Each stage is performed as a whole and may not be separated or proportioned. Sales allowance is estimated by historical experiences and recorded as a deduction to revenue.

(26) Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease income and expense are recognized on a straight-line basis over the lease period.

5. Critical Accounting Estimates and Judgments and Key Sources of Estimation and Uncertainty

Estimates and judgments are continuingly evaluated and are based on historical experience and other factors. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Pension Benefits

The present value of the pension obligations is determined on an actuarial basis. When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine a number of actuarial assumptions, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations. For relevant sensitivity analysis, please refer to Note 6 (14).

(2) Fair Value of Derivatives and Other Financial Instruments

The fair value of derivatives and other financial instruments that are not traded in active market is determined by using valuation techniques. The Group applies professional judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For valuing these derivatives and other financial instruments, the Group maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. For sensitivity analyses, please refer to Note 12 (3).

(3) Impairment of available-for-sale equity investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee. If the declines in fair value below cost were considered significant or prolonged, the Company would transfer the accumulated fair value adjustments recognized in equity on the impaired available-for-sale financial assets to the income statement. Please refer to Note 6 (5).

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

	As of December 31, 2016	As of December 31, 2015
Cash on hand and petty cash	$ 1,072	$ 1,008
Cash equivalents	-	4,145
Savings accounts and checking accounts	3,876,568	3,825,387
Time deposits	20,598,630	21,360,834
	$ 24,476,270	$ 25,191,374

(2) Accounts Receivable, Net

	As of December 31, 2016	As of December 31, 2015
Accounts receivable	$ 17,359,584	$ 15,841,479
Less: Allowance for sales discounts	(3,006)	(14,056)
Allowance for doubtful accounts	(1,695)	(1,695)
	$ 17,354,883	$ 15,825,728

The Group assessed the carrying value of receivables mentioned above are highly likely to be recovered; therefore the credit risk is low. Please refer to note 12 (1) B for relevant analysis.

Movements on the Group’s allowance for doubtful accounts are as follows：

	2016	2015
Balance as of January 1 and December 31	$ 1,695	$ 1,695

(3) Inventories

	As of December 31, 2016	As of December 31, 2015
Raw materials and supplies	$ 5,885,054	$ 3,914,377
Work in process	613,778	587,942
	$ 6,498,832	$ 4,502,319

Expense / loss incurred related to inventories :	For the years ended December 31, 2016	For the years ended December 31, 2015
Cost of goods sold	$ 65,744,357	$ 61,196,890
Decline in market value and loss on obsolescence	54,853	20,320
Others	(37,019)	13,412
	$ 65,762,191	$ 61,230,622

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(4) Non-current Assets Held for Sale

	As of December 31,	
	2016	2015
Plant held for sale	$ 387,503	$ -

On November 3, 2016, the Board of Directors of the Company resolved to sale the plant and its affiliated equipment of Hsinchu second factory (No.15/17, Yuanqu 2nd Rd., Hsinchu City , Taiwan (R.O.C.)). On December 16, 2016, the Company entered into an aggrement to sell the plant to a non-related party. As of December 31, 2016, the Company has not transferred title of the plant to the buyer.

(5) Available-for-sale Financial Assets

	As of December 31,	
	2016	2015
Current Item:		
Common Stock	$ -	$ 1,067,204
Fund	178,176	-
	$ 178,176	$ 1,067,204
Non-current Items:		
Common Stock	$ 3,087,019	$ 5,336,887
Depositary Shares	528,639	-
Fund	-	189,525
	$ 3,615,658	$ 5,526,412

A. In 2015, the stock price of domestic listed stocks declined significantly below its cost. The company recognized impairment loss of $1,856,442 as a result of the decline in stock price. These impaired equity securities were subsequently sold in February 2016 and recognized gains on disposal of $10,256. Accordingly, they were classified from non-current to current assets as of December 31, 2015. The foreign fund matured in one year was classified from non-current to current assets in the second quarter of 2016. The Company disposed common stock of available-for-sale financial assets and recognized gains on disposal of $206,943 in the third quarter.

B. On October 20, 2016, the Board of Directors of ChipMOS Technologies Inc., have approved that October 31, 2016 is the merger date, with ChipMOS Technologies Inc., be the surviving company. Under the agreement, Shareholders of ChipMOS Technologies (Bermuda) Ltd., will receive US$3.71 dollars in cash and 0.9355 share of American Depository Shares ("ADSs") in exchange for each share in ChipMOS Technologies (Bermuda) Ltd. Each ADS will represent 20 new common shares to be issued by ChipMOS Technologies Inc. The Company regarded the merger as a business reorganization in substance and recognized only the premium from the merger of $51,923 as the income.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(6) Investments accounted for using the equity method

		Carrying Amount		% of ownership interest	
Associates	Registration	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Individually immaterial :					
Yann Yuan Investment Co., Ltd	Taiwan R.O.C.	$ 2,382,962	$ 2,399,910	33.33%	33.33%
ASM Advanced Packaging Materials Pte. Ltd. (AAPM)	Singapore	18,019	122,748	39.00%	39.00%
		$ 2,400,981	$ 2,522,658		

A. The Company acquired common shares of AcSiP to upgrade assembly related technology. Although the Company holds less than 20% of the equity shares of AcSiP, the Company exercises significant influence by appointing one director of the Board of Directors in AcSiP, thus applies the equity method to account for this investment. In December 2015, the Company disposed all of its shareholdings in AcSip and recognized a disposal gain of $1,059.

B. In December 2015, Siliconware Investment Co., Ltd. (which is the Company’s subsidiary) invested in Yann Yuan Investment Co., Ltd with cash of $2,400,000.

C. Associate, Vertical Circuits, Inc. (VCI), is currently undertaking the bankruptcy process. As of December 31, 2016, the carrying amount of investment in VCI is $0.

D. In order to develop new generation substrates and increase substrate supply sources, the Company acquired the shares in Interconnect, as of September 30, 2015, the carrying amount of investment in Interconnect was $0 and unrecognized share of loss was $133,583 due to the sustained losses of Interconnect. In October 2015, Interconnect sold major assets and liabilities to a newly established company, AAPM, in exchange for cash and 39% interests in AAPM. Concurrently, another third party shareholder contributed cash to acquire 61% interests in AAPM. As a result, the Company evaluated the recoverable amounts of investment in Interconnect using the fair value less cost of disposal model, and reversed the previous impairment charges in “other gains and losses” amounted to $134,992. The recoverable amount was determined by referencing to AAPM’s per share price issued to the third party shareholder, therefore, it is considered a Level 2 non-recurring fair value measurement. The Company also recognized previously unrecognized share of loss in Interconnect amounted to $133,583. Interconnect subsequently reduced its capital in December 2015. The 39% interests in AAPM were distributed to the Company as capital return. Accordingly, the Company derecognized the investment in Interconnect and recognized a disposal gain of $139,567.

E. Aggregate information of associates that are not individually material was summarized as follows:

	For the years ended December 31,	
	2016	2015
Net Income (Loss)	$ 13,652	($ 183,708)
Other Comprehensive (Loss) Income	(134,923)	1,304
Total Comprehensive Loss	($ 121,271)	($ 182,404)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(7) Financial Instruments by Category

	As of December 31, 2016	As of December 31, 2015
Financial Assets		
Loans and receivables		
Cash and cash equivalents	$ 24,476,270	$ 25,191,374
Notes receivable	23,591	11,403
Accounts receivable	17,354,883	15,825,728
Other receivables	581,630	473,431
Time deposit pledged as collateral (shown as other current assets-other)	357,400	384,400
Refundable deposit (shown as other non-current assets-other)	501,924	185,834
Available-for-sale financial assets, current	178,176	1,067,204
Available-for-sale financial assets, non-current	3,615,658	5,526,412
	$ 47,089,532	$ 48,665,786

	As of December 31, 2016	As of December 31, 2015
Financial Liabilities		
Financial liabilities at amortised cost		
Short-term loans	$ 2,741,250	$ 2,790,125
Accounts payable	8,194,647	6,942,527
Other payables	11,896,517	11,512,740
Receipts under custody (shown as other current liabilities-other)	76,231	94,442
Deposit received (shown as other current liabilities-other and other non-current liabilities)	38,907	130,180
Convertible bonds (including the current portion)	12,712,651	12,627,311
Long-term loans (including the current portion)	18,340,747	13,849,164
Long-term payble (shown as other non-current liabilities)	63,215	177,525
Financial liability at fair value through profit or loss	773,908	1,798,920
	$ 54,838,073	$ 49,922,934

(8) Property, Plant and Equipment

A. Carrying amount by category:

	2016	2015
Land	$ 2,903,192	$ 2,903,192
Buildings	19,939,679	19,663,930
Machinery and equipment	32,145,342	33,130,757
Other equipment	4,674,862	4,498,187
Construction in progress and equipment awaiting for inspection	5,717,334	4,109,542
	$ 65,380,409	$ 64,305,608

B. Movement from period beginning to period end:

(a)From January 1, 2016 to December 31, 2016

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

i. Cost

	Balance at January 1	Additions	Disposals	Transfers	Exchange differences, net	Balance at December 31
Land	$ 2,903,192	$ -	$ -	$ -	$ -	$ 2,903,192
Buildings	30,952,914	1,445,512	(83,778)	428,540	(220,178)	32,523,010
Machinery and equipment	74,384,223	7,815,011	(7,204,489)	1,542,650	(962,141)	75,575,254
Other equipment	8,900,324	1,283,475	(713,787)	342,751	(120,433)	9,692,330
Construction in progress and equipment awaiting for inspection	4,109,542	4,703,546	(420)	(2,984,597)	(110,737)	5,717,334
	$ 121,250,195	$ 15,247,544	($ 8,002,474)	($ 670,656)	($ 1,413,489)	$ 126,411,120

ii. Accumulated depreciation and impairment

	Balance at January 1	Depreciation expnse	Impairment losses	Disposals	Transfers	Exchange differences, net	Balance at December 31
Buildings	$ 11,288,984	$ 1,715,407	$ -	($ 83,778)	($ 278,570)	($ 58,712)	$ 12,583,331
Machinery and equipment	41,253,466	9,849,149	72,655	(7,155,398)	3,407	(593,367)	43,429,912
Other equipment	4,402,137	1,341,274	18,592	(663,349)	(9,450)	(71,736)	5,017,468
	$ 56,944,587	$ 12,905,830	$ 91,247	($ 7,902,525)	($ 284,613)	($ 723,815)	$ 61,030,711

(b)From January 1, 2015 to December 31, 2015

i. Cost

	Balance at January 1	Additions	Disposals	Transfers	Exchange differences, net	Balance at December 31
Land	$ 2,903,192	$ -	$ -	$ -	$ -	$ 2,903,192
Buildings	22,789,352	1,423,338	-	6,798,051	(57,827)	30,952,914
Machinery and equipment	71,922,606	7,675,210	(7,055,018)	2,074,177	(232,752)	74,384,223
Other equipment	7,629,873	1,192,144	(629,015)	737,087	(29,765)	8,900,324
Construction in progress and equipment awaiting for inspection	10,018,645	3,719,296	-	(9,609,315)	(19,084)	4,109,542
	$ 115,263,668	$ 14,009,988	($ 7,684,033)	$ -	($ 339,428)	$ 121,250,195

ii. Accumulated depreciation and impairment

	Balance at January 1	Depreciation expnse	Impairment losses	Disposals	Transfers	Exchange differences, net	Balance at December 31
Buildings	$ 9,636,672	$ 1,665,873	$ -	$ -	$ -	($ 13,561)	$ 11,288,984
Machinery and equipment	38,233,303	10,086,128	46,198	(6,977,590)	966	(135,539)	41,253,466
Other equipment	3,873,022	1,151,771	18,798	(623,394)	(966)	(17,094)	4,402,137
	$ 51,742,997	$ 12,903,772	$ 64,996	($ 7,600,984)	$ -	($ 166,194)	$ 56,944,587

C. There is no interest capitalized for the years ended December 31, 2016 and 2015.

D. For idle equipment, the Company adopted fair value less cost to sell method to measure their recoverable amount and recognized impairment loss of $91,247 and $64,996 for the years ended December 31, 2016 and 2015, respectively.

E. The Company reclassified the plant held for sale as non-current assets held for sale with cost of $670,656 and accumulated depreciation of $284,613.

(9) Intangible Assets

A. Carrying amount by category:

	As of December 31, 2016	As of December 31, 2015
License Fee	$ 31,460	$ 53,569
Software	144,402	139,205
	$ 175,862	$ 192,774

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

B. Movement from period beginning to period end:

(a) From January 1, 2016 to December 31, 2016

i. Cost

	Balance at January 1	Additions	Disposals	Exchange differences, net	Balance at December 31
License Fee	$ 112,248	$ -	($ 4,354)	$ -	$ 107,894
Software	202,314	71,011	(32,320)	(1,818)	239,187
	$ 314,562	$ 71,011	($ 36,674)	($ 1,818)	$ 347,081

ii. Accumulated amortization

	Balance at January 1	Amortization expnse	Disposals	Exchange differences, net	Balance at December 31
License Fee	$ 58,679	$ 22,109	($ 4,354)	$ -	$ 76,434
Software	63,109	64,616	(32,320)	(620)	94,785
	$ 121,788	$ 86,725	($ 36,674)	($ 620)	$ 171,219

(b) From January 1, 2015 to December 31, 2015

i. Cost

	Balance at January 1	Additions	Disposals	Exchange differences, net	Balance at December 31
License Fee	$ 608,138	$ -	($ 495,890)	$ -	$ 112,248
Software	174,858	112,692	(84,826)	(410)	202,314
	$ 782,996	$ 112,692	($ 580,716)	($ 410)	$ 314,562

ii. Accumulated amortization

	Balance at January 1	Amortization expnse	Disposals	Exchange differences, net	Balance at December 31
License Fee	$ 433,876	$ 120,693	($ 495,890)	$ -	$ 58,679
Software	99,950	48,111	(84,826)	(126)	63,109
	$ 533,826	$ 168,804	($ 580,716)	($ 126)	$ 121,788

For the years ended December 31, 2016 and 2015, amortization of $24,539 and $14,208 are included in "operating cost", and amortization of $62,186 and $154,596 are included in "operating expense", respectively.

(10) Financial liabilities at fair value through profit or loss

As of December 31, 2016 and 2015, the detail of financial liabilities at fair value through profit or loss is as follows:

	As of December 31, 2016	As of December 31, 2015
Conversion option, redemption option and put option of convertible bonds upon initial	$ 774,319	$ 774,319
Valuation adjustments	(411)	1,024,601
	$ 773,908	$ 1,798,920

For the years ended December 31, 2016 and 2015, the Company recognized net gains of $1,025,012 and net losses of $703,368 on financial liabilities at fair value through profit or loss, respectively.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(11)Other Payables

	As of December 31,	
	2016	2015
Payables for equipment	$ 3,486,635	$ 3,576,455
Payables for employees' compensations	3,880,980	3,929,214
Others	4,528,902	4,007,071
	$ 11,896,517	$ 11,512,740

(12)Convertible Bonds

As of December 31, 2016 and 2015, the detail of convertible bonds is as follows:

	As of December 31,	
	2016	2015
Unsecured overseas convertible bonds	$ 13,580,212	$ 13,821,965
Less: Discounts on bonds payable	(867,561)	(1,194,654)
Less: Current portion	(12,712,651)	-
	$ -	$ 12,627,311

In October 2014, the Company issued the fourth unsecured overseas convertible bonds (the “Bonds”) of US$400,000 thousand. The Bonds are zero coupon bonds with maturity of 5 years, with par value of US$250 thousand or in any integral multiples thereof.

Key terms and conditions are as follows:：

A. Each holder of the Bonds has the right to convert at any time starting from the day immediately following 40 days after the issue date to 10 days prior to the maturity date, except during legal lock-up period, into newly issued listed common shares or American Depositary Shares (“ADSs”) at the conversion price $53.1038 dollars, determined on the basis of a fixed exchange rate of US$1 to $30.392 (in dollars). The conversion price was adjusted to $45.7579 dollars as of December 31, 2016.

B. Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will be redeemed by the Company on the maturity date at an amount equal to 105.11% of the principal, with repayment made in US dollars.

C. Each holder shall have the right to request the Company to repurchase all or any portion of the principal amount thereof of a holder’s Bonds (1) at 103.04% of the principal amount on the third anniversary of the issuance date or (2) at principal amount plus 1% interest compounded semiannually (“Early Redemption Amount”) in the event of a change in control or delisting.

D. The Company may redeem the Bonds in whole or in part, after 3 years after the issuance date, at a price equal to the Early Redemption Amount, provided that the closing price of the Company's common shares on the TWSE, converted into US dollars at the prevailing exchange rate, on 20 trading days within a period of 30 consecutive trading days, is at least 130% of the Early Redemption Amount divided by the conversion ratio. The Company may, in whole but not in part, redeem all of the Bonds at the Early Redemption Amount in the event that more than 90% of the Bonds have been previously redeemed, converted, or repurchased or cancelled, or in the event of changes in the R.O.C.’s tax rules which result in significant unfavorable tax consequences to the Company.

E. The Bonds contained a debt host contract, recognized as convertible bonds, and the Bond Options were aggregately recognized as financial liabilities at fair value through profit or loss. The effective interest rate of the debt host contract was 2.407% and the aggregate fair value of the Bond Options was $774,319 on initial recognition.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(13)Loans

A. Short-term Loans

	As of December 31, 2016	As of December 31, 2015
Credit loans	$ 2,741,250	$ 2,790,125
Interest rates	1.6440%	1.3130%

B.Long-term Loans

Loan period and repayment method	As of December 31, 2016	As of December 31, 2015
Syndicated bank loans		
2012.8.10-2017.8.10 Repayables in 6 semi-annually installments starting from February 2015（Note）	$ 2,162,333	$ 6,006,750
Other bank loans		
2013.12.31-2016.12.31, extended to 2019.12.30 Repayables when due	1,500,000	1,500,000
2014.8.11-2018.12.13 Repayables in 5 semi-annually installments starting from December 2016	680,000	850,000
2014.8.11-2018.12.10 Repayables in 6 semi-annually installments starting from June 2016	1,000,000	1,500,000
2014.8.11-2019.8.11 Repayables in 6 semi-annually installments starting from February 2017	1,500,000	1,500,000
2015.7.1-2020.7.1 Repayables in 6 semi-annually installments starting from February 2018	1,500,000	1,500,000
2015.11.13-2020.11.13 Repayables in 6 semi-annually installments starting from June 2018	1,000,000	1,000,000
2016.7.19-2021.1.10 Repayables in 6 semi-annually installments starting from July 2018	3,000,000	-
2016.7.19-2021.7.19 Repayables in 6 semi-annually installments starting from January 2019	4,000,000	-
2016.12.30-2021.12.30 Repayables in 6 semi-annually installments starting from June 2019	2,000,000	-
Less:		
Arrangement fee of syndicated loans	(1,586)	(7,586)
Current portion	(3,500,747)	(5,991,128)
	$ 14,840,000	$ 7,858,036
Interest rate	1.1287%-2.3890%	1.2217%-1.6173%

Note: For the years ended December 31, 2016 and 2015, US$33,333 and US$116,667 were included respectively.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(1) In order to fulfill the requirements of operational and capital expenditures, the Company entered into syndicated loan agreements with eleven financial institutions, including Mega International Commercial Bank, the management bank, in August 2012. All long-term loans are with credit periods of five years and are floating interest rate loans.

(2) Pursuant to the loan agreement, the Company should maintain, on a semi-annual and annual basis, certain debt covenants, such as current ratio, liability ratio as well as the ratio of interest coverage. Up to December 31, 2016, the Company has been in compliance with all the debt covenants.

(14) Post-employment Benefit

A. In accordance with the Labor Standards Law, the Company has a funded defined benefit pension plan covering all eligible employees prior to the enforcement of the Labor Pension Act (“the Act”), which becomes effective on July 1, 2005, and those employees who choose to stay with the pension mechanism under the Labor Standards Law after the enforcement of the Act. Pension benefits are generally based on service years and six-month average wages and salaries before retirement of the employee. Two units are earned per year for the first 15 years of service and one unit is earned for each additional year of service with a maximum of 45 units. Under the funding policy of the plan, the Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund, which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the names of the Committee in the Bank of Taiwan. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company will make contribution for the deficit by next March.

The Company established pension plans for executive officers and recognized $63,007 net of pension costs (shown as net defined benefit obligations) for the years ended December 31, 2016. As of December 31, 2016, the net defined benefit obligation of executive officers was $64,929.

B. Except for the pension plans for executive officers, the amounts arising from the defined benefit obligation recognized on the balance sheets are as follows:

	As of December 31,	
	2016	2015
Present value of defined benefit obligations	$ 2,550,824	$ 2,392,281
Fair value of plan assets	(1,177,592)	(1,184,971)
Net defined benefit liability	$ 1,373,232	$ 1,207,310

C. Movements in net defined benefit liabilities are as follows:

(a) For the year ended December 31, 2016

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 2,392,281	($ 1,184,971)	$ 1,207,310
Current service cost	19,165	-	19,165
Interest expense (income)	41,441	(20,754)	20,687
Recognized in profit or loss	60,606	(20,754)	39,852
Remeasurements:			
Experience adjustments	19,709	-	19,709
Changes in financial assumptions	149,878	-	149,878
Return of plan assets (excluding amounts included in net interest expense)	-	6,297	6,297
Recognized in other comprehensive income	169,587	6,297	175,884
Pension fund contribution	-	(49,814)	(49,814)
Paid Pension	(71,650)	71,650	-
Balance at December 31	$ 2,550,824	($ 1,177,592)	$ 1,373,232

(b) For the year ended December 31, 2015

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 2,225,935	($ 1,192,196)	$ 1,033,739
Current service cost	20,475	-	20,475
Interest expense (income)	49,670	(26,976)	22,694
Recognized in profit or loss	70,145	(26,976)	43,169
Remeasurements:			
Experience adjustments	10,493	-	10,493
Changes in demographic assumptions	18,021	-	18,021
Changes in financial assumptions	145,514	-	145,514
Return of plan assets (excluding amounts included in net interest expense)	-	5,814	5,814
Recognized in other comprehensive income	174,028	5,814	179,842
Pension fund contribution	-	(49,440)	(49,440)
Paid Pension	(77,827)	77,827	-
Balance at December 31	$ 2,392,281	($ 1,184,971)	$ 1,207,310

D. The Bank of Taiwan was commissioned to manage the Fund of the Company’s and domestic subsidiaries’ defined benefit pension plan in accordance with the Fund’s annual investment and utilization plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than the aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The constitution of fair value of plan assets as of December 31, 2016 and 2015 is as follows:

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

	For the Years Ended December 31,	
	2016	2015
Cash	$ 268,962	$ 240,312
Equity instruments	580,435	615,237
Debt instruments	328,195	329,422
	$ 1,177,592	$ 1,184,971

E. Principal actuarial assumptions for the reporting period are as follows:

	For the years ended December 31,	
	2016	2015
Discount rate	1.50%	1.75%
Future salary increase rate	2.25%	2.00%

F. For the years ended December 31, 2016 and 2015, if the aforementioned discount rate and future salary increase rate are 0.5% higher (lower) than management's estimates, the impact on the carrying amounts of defined benefit obligation is as follows:

	Impact on defined benefit obligation	
For the Year Ended December 31, 2016	0.5% increase in assumption	0.5% decrease in assumption
Discount rate	($ 150,030)	$ 163,143
Future salary increase rate	$ 161,138	($ 149,723)

	Impact on defined benefit obligation	
For the Year Ended December 31, 2015	0.5% increase in assumption	0.5% decrease in assumption
Discount rate	($ 145,514)	$ 158,584
Future salary increase rate	$ 157,428	($ 145,896)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the defined benefit liability recognized in the balance sheet.

G. The Company expects to pay $50,935 contribution to the pension plan in 2017.

H. As of December 31, 2016, the weighted average duration of that retirement plan is 12.3 year. Expected maturity analysis of undiscounted defined benefit obligation was as follows:

Within 1 year	$ 59,374
1-2 year(s)	66,806
2-3 years	75,233
Over 3 years	2,997,358
	$ 3,198,771

I. In accordance with the Labor Pension Act ("LPA"), effective July 1, 2005, the Company has established a defined contribution pension plan covering all regular employees witch R.O.C. nationality. The Company makes monthly contributions to the employees' individual pension accounts on a basis no less than 6% of each employee's monthly salary or wage. The principal and accumulated gains or losses from an employee's personal pension account may be claimed on a monthly basis or in lump sum.

J. SUI has established a 401(K) pension plan ("the Plan") covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the U.S. Internal Revenue Code, as well as discretionary matching contributions determined annually by its Board of Directors to employees' individual pension accounts.

K. In accordance with the regulatory requirements in Suzhou, PRC, Siliconware Technology (Suzhou) Limited contributes monthly an amount equal to certain percentage of employees' monthly salaries and wages to the Bureau of Social Insurance. Other than the monthly contributions, the Group has no further obligations.

L. The amounts of defined contribution pension plan are $552,706 and $533,905 for the years ended December 31, 2016 and 2015, respectively.

(15)Capital Stock

A. As of December 31, 2016 and 2015, the authorized capital of the Company was $36,000,000 and the paid-in-capital was $31,163,611, with par value of $10 (in dollars) per share.

B. The Company issued $1,500,000 American Depositary Shares ("ADSs"), represented by 30,000,000 units of ADSs, in June 2000. Each ADSs represents five shares of common stock of the Company with an offering price of US$ 8.49 (in dollars) per ADSs. As of December 31, 2016 and 2015, the outstanding ADSs amounted to 37,783,392 units and 51,404,643 units, respectively. Major terms and conditions of the ADSs are summarized as follows:

(1) Voting Rights:

ADSs holders will have no rights to vote directly in shareholders' meetings with respect to the Deposited Shares. The Depositary shall provide voting instruction to the Chairman of the Company and vote on behalf of the Deposited shares evidenced by ADSs. If the Depositary receives voting instructions from holders of at least 51% of the outstanding ADSs to vote in the same direction on a resolution, the Depositary will vote in the manner as instructed.

(2) Distribution of Dividends:

ADSs holders are deemed to have the same rights as holders of common shares with respect to the distribution of dividends.

(16)Capital Reserve

A. Pursuant to the Company Law of the R.O.C., the capital reserve arising from paid-in capital in excess of par on the issuance of stocks and from donation shall be exclusively used to cover accumulated deficits or transferred to capital proportionally either in issuing common stock or in returning cash. Other capital reserves shall be exclusively used to cover accumulated deficits. The amount of capital reserve used to increase capital is limited to 10% of the common stock each year when the Company has no accumulated deficits. The capital reserve can only be used to cover accumulated deficits when the legal reserve is insufficient to cover the deficits.

B. According to the Company Law of the R.O.C., captioned capital reserve is allowed to be transferred to share capital in the following year after the registration of capitalization is approved by the government authority.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

	May be used to offset a deficit, distributed as cash dividends, or transferred to share capital	May be used to offset a deficit only				
	Premium from issuance	Treasury stocks	Recognition of changes in equity of subsidiaries	Proportionate share of net equity change in investees accounted for using the equity method	Others	Total
At January 1, 2016	$ 15,554,993	$ 186,351	$ 16,940	$ -	$ 74	$ 15,758,358
Cash distribution from capital reserve	(3,116,361)	-	-	-	-	(3,116,361)
At December 31, 2016	$ 12,438,632	$ 186,351	$ 16,940	$ -	$ 74	$ 12,641,997
At January 1, 2015	$ 15,554,993	$ 186,351	$ 17,060	$ 12,978	$ 74	$ 15,771,456
Changes in equity of subsidiaries	-	-	(120)	-	-	(120)
Ownership change in investees accounted for using the equity method	-	-	-	(246)	-	(246)
Disposal of associates	-	-	-	(12,732)	-	(12,732)
At December 31, 2015	$ 15,554,993	$ 186,351	$ 16,940	$ -	$ 74	$ 15,758,358

C. Distribution from capital reserve of $3,116,361 (NT$ 1.0 dollar per share) had been resolved at the stockholders' meeting on May 16, 2016 and it was resolved in the board meeting that July 1st of the same year was the ex-dividend date.

(17) Retained Earnings

A. According to the Company's Articles of Incorporation, current year's earnings before tax, if any, shall be distributed in the following order:

(1) Payment of taxes and dues;

(2) Completing the deficit and losses;

(3) Set aside 10% of the remaining amount after deducting (1) and (2) as legal reserve;

(4) Set aside no more than 1% of the remaining amount after deducting items (1), (2), and (3) as directors' and supervisors' remunerations.

(5) After items (1), (2), (3), and (4) were deducted, 10% of the remaining amount may be allocated as employee bonus and 90% as stockholders' dividend subject to the resolution adopted by the Board of Directors and approved at the Shareholders' Meeting.

B. Dividends may be distributed by way of cash dividend and stock dividend. Distribution shall be made preferably by way of cash dividend while cash dividend shall be more than 50% of total dividends to be distributed. The amount is subject to the resolution adopted by the Board of Directors and approved at the Shareholders' Meeting. Dividend distribution to the Company's shareholders is recognized as liability in the Company's financial statements in the period in which the dividends are approved.

C. The Company's amended Articles of Incorporation had been approved by the stockholders in the meeting held on May 16, 2016, under which current year's earnings, if any, shall be distributed in the following order:

(1) Payment of taxes and dues;

(2) Completing the deficit and losses;

(3) Set aside 10% for statutory surplus reserve, unless the statutory surplus reserve has reached the total capital;

(4) Set aside or reverse special reserves;

(5) Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus,

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which shall be approved at a shareholders' meeting.

D. Legal reserve can only be used to offset deficits or increase capital in issuing common stock or in distributing cash. The amount of legal reserve that may be used to increase capital shall be limited to the portion of the reserve balance exceeding 25% of the capital stock.

E. In accordance with the R.O.C. Securities and Future Bureau (SFB) regulation, in addition to legal reserve, the Company should set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reserved amount could be included in the distributable earnings.

F. The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 to be subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. As of December 31, 2016 and 2015, the undistributed earnings derived on or after the implementation of the imputation tax system were $10,252,276 and $9,921,153, respectively.

G. As of December 31, 2016 and 2015, the balances of stockholders' imputation tax credit account of the Company were $482,903 and $875,437, respectively. The rate of shareholders' imputation tax credit to undistributed earnings for the earnings distributed in 2015 was 17.19%. The rate of shareholders' imputation tax credit to undistributed earnings for the earnings to be distributed in 2016 is expecting to be approximately 10.38%.

However, the rate is subject to changes based on the balance of shareholders' imputation tax credit account, the undistributed earnings, and other tax credit amount in accordance with the R.O.C. tax law at the dividend allocation date.

Effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article of 66-6 of the Income Tax Law.

H. The appropriations of 2015 and 2014 earnings have been approved at the Shareholders' meeting on May 16, 2016 and June 16, 2015, respectively. The appropriations and dividends per share were as follows:

	For the Years Ended December 31,			
	2015		2014	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Prevision of Legal reserve	$ 876,226		$ 1,170,770	
Cash dividends	8,725,811	$ 2.80	9,349,083	$ 3.00

At the stockholders' meetings on June 16, 2015, the Company's stockholders resolved to distribute $1,038,787 as employees' cash bonuses and $105,369 as directors' remunerations, respectively. The aforementioned distributed amount is the same as the estimated amount accrued in 2014. It was resolved in the board meeting that July 31 of the same year is the ex-dividend date. The Company's board of directors resolved July 1, 2016 as the ex-dividend date for the distribution of 2015 earnings. Any information in relation to the Company's shareholders' resolution on earnings distribution will be posted in the "Market Observation Post System" on the website of the Taiwan Stock Exchanges("TSE").

I. As of February 23, 2017, the Board of Directors have not approved the earnings distribution for 2016.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(18) Other Equity Items

	Unrealized Gain on Valuation of Available-for-sale Financial Assets	Exchange Difference on Translation of Foreign Financial Statements	Remeasurements of Post-Employment Benefit Obligations
As of January 1, 2016	$ 3,422,586	$ 493,090	($ 125,931)
Share of other comprehensive income of associates accounted for using the equity method			
- pretax	(132,938)	-	-
Changes in fair value of financial instruments			
- pretax	(1,229,348)	-	-
- tax	153,707	-	-
Recognition of changes in fair value of financial instruments in profit or loss			
- pretax	(239,757)	-	-
- tax	-	-	-
Differences in translation- equity method investments			
- pretax	-	(908,801)	-
- tax	-	406	-
Remeasurements of post-employment benefit obligations			
- pretax	-	-	(177,806)
- tax	-	-	30,227
As of December 31, 2016	$ 1,974,250	($ 415,305)	($ 273,510)

	Unrealized Gain on Valuation of Available-for-sale Financial Assets	Exchange Difference on Translation of Foreign Financial Statements	Remeasurements of Post-Employment Benefit Obligations
As of January 1, 2015, as adjusted	$ 3,951,916	$ 720,543	$ 23,339
Changes in fair value of financial instruments			
- pretax	(2,406,287)	-	-
- tax	20,515	-	-
Recognition of changes in fair value of financial instruments in profit or loss			
- pretax	1,856,442	-	-
Differences in translation- equity method investments			
- pretax	-	(223,940)	-
- tax	-	(222)	-
Other comprehensive income/losses reclassified to profit or loss upon disposal of investments accounted for using the equity method			
- pretax	-	(3,965)	-
- tax	-	674	-
Remeasurements of post-employment benefit obligations			
- pretax	-	-	(179,842)
- tax	-	-	30,572
As of December 31, 2015	$ 3,422,586	$ 493,090	($ 125,931)

(19) Expenses by Nature

	For the Years Ended December 31, 2016	2015
Employee benefit expenses		
Salaries and bonuses	$ 16,155,821	$ 15,339,459
Post employment benefits	655,565	577,074
Remuneration to directors	127,111	112,801
Others	2,190,194	2,026,237
	$ 19,128,691	$ 18,055,571
Depreciation and amortization expenses	$ 13,291,190	$ 13,513,985

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

A. In accordance with Article 235 and 235-1 of the Company Act as amended in May 2015, and Jing-Shang-Zi Letter No. 10402413890, employees' compensation (bonus), and directors' remuneration shall not be considered as earnings distribution. An entity shall stipulate a fixed amount or ratio of annual profit to be distributed as employee compensation. The annual profit is defined as income before income tax, employees' compensation and directors' remuneration. If an entity has accumulated deficit, annual profit should be appropriated to cover such losses.

B. In accordance with the Company's Articles of Incorporation had been resolved at the Shareholders' meeting on May 16, 2016, after covering accumulated losses, 10% of the annual profit shall be set aside as employees' compensation. Additionally, 1% or less of the annual profit shall be set aside as directors' remuneration. Employees' compensation is payable, in the form of cash or shares, to the payroll employees of the Company or its domestic or foreign subsidiaries over which the Company has 50% or more of voting power, who work substantially during the fiscal year in which the annual profit is generated.

C. For the year ended December 31, 2016 and 2015, employee compensation was accrued at $1,271,115 and $1,128,007, respectively; directors' remuneration was accrued at $127,111 and $112,801, respectively.

D. The compensation to employees and the remuneration to directors for 2016 and 2015 distributed in cash resolved at the meeting of Board of Directors on February 23, 2017 and on February 4, 2016, respectively, were as follows:

	For the Years Ended December 31,	
	2016	2015
Compensation to employees	$ 1,271,115	$ 1,128,007
Remuneration to directors	127,111	112,801
	$ 1,398,226	$ 1,240,808

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. The employee compensation and directors' remuneration of 2015 was all paid in cash. The aforementioned distributed amount is the same as the estimated amount. Information about compensation to employees and the remuneration to directors resolved by the meeting of Board of Directors is available at the Market Observation Post System website.

(20) Other Income

	For the years ended December 31,	
	2016	2015
Interest income	$ 148,484	$ 155,524
Others	211,531	178,360
	$ 360,015	$ 333,884

(21) Other Gains or Losses

	For the years ended December 31,	
	2016	2015
Losses on damages and claims	($ 298,778)	($ 374,613)
Foreign exchange losses - net	(104,365)	(77,439)
Gains on disposal of property, plant and equipment	32,615	31,293
Gain on reversal of impairment loss on non-financial assets	-	134,992
Others	28,873	(25,861)
	($ 341,655)	($ 311,628)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(22) Income Tax

A. Income taxes recognized in profit or loss for the years ended December 31, 2016 and 2015 are as follows:

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Current income tax expense		
Recognition for the current period	$ 1,356,232	1,739,970
Provision of additional 10% tax on undistributed earnings	-	117,670
Income tax adjustments for prior years	(6,336)	(39,435)
	1,349,896	1,818,205
Deferred income tax expense		
Temporary differences	401,511	(189,605)
Income tax expense recognized in profit or loss	$ 1,751,407	$ 1,628,600

B. Reconciliation between income tax expense and accounting profit:

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Income tax expense calculated at the statutory tax rates applicable to respective countries	$ 2,300,048	$ 2,057,890
Expenses not deductible for tax purposes	113,971	319,835
Tax exempt income	(572,372)	(736,103)
Temporary difference not recognised as deferred tax liability	(156,588)	(179,130)
Change in assessment of realization of deferred tax assets	-	(1,071)
Effect from Alterative Minimum Tax	72,684	88,944
Provision of additional 10% tax on undistributed earnings	-	117,670
Prior year income tax over estimate	(6,336)	(39,435)
Income tax expense recognized in profit or loss	$ 1,751,407	$ 1,628,600

The weighted average statutory tax rates applicable to respective countries for the years ended December 31, 2016 and 2015 were 19.68% and 19.80%, respectively.

C. Income taxes recognized in other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Unrealized gain on available-for-sale financial assets	$ 153,707	$ 20,515
Exchange difference on translation of foreign financial statements	406	452
Remeasurements of post-employment benefit obligation	30,227	30,572
	$ 184,340	$ 51,539

D. Changes in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 are as follows:

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

	2016				
	January 1	Profit or Loss	Other Comprehensive Income	Exchange Differences, net	December 31
Deferred tax assets					
Unrealized sales allowance	$ 4,352	($ 1,807)	$ -	($ 151)	$ 2,394
Post-employment benefit obligations	193,689	19,610	30,227	-	243,526
Unrealized losses on financial liabilities	174,182	(174,182)	-	-	-
Compensated absences payable	77,655	(7,578)	-	(201)	69,876
Convertible bonds	220,754	11,828	-	-	232,582
Associates	18,474	17,398	406	-	36,278
Other non-current liabilities	45,709	(18,284)	-	-	27,425
Provisions	63,187	7,491			70,678
Others	150,030	(198,761)	153,707	(1,539)	103,437
	$ 948,032	($ 344,285)	$ 184,340	($ 1,891)	$ 786,196
Deferred tax liabilities					
Property, plant and equipment	($ 44,919)	($ 22,425)	$ -	$ 4,828	($ 62,516)
Others	(42,830)	(34,801)	-	5,320	(72,311)
	($ 87,749)	($ 57,226)	$ -	$ 10,148	($ 134,827)
	$ 860,283	($ 401,511)	$ 184,340	$ 8,257	$ 651,369

	2015				
	January 1	Profit or Loss	Other Comprehensive Income	Exchange Differences, net	December 31
Deferred tax assets					
Unrealized sales allowance	$ 47,722	($ 43,330)	$ -	($ 40)	$ 4,352
Post-employment benefit obligations	164,182	(1,065)	30,572	-	193,689
Unrealized losses on financial liabilities	54,610	119,572	-	-	174,182
Compensated absences payable	71,987	5,707	-	(39)	77,655
Convertible bonds	95,623	125,131	-	-	220,754
Associates	133,364	(115,342)	452	-	18,474
Other non-current liabilities	63,992	(18,283)	-	-	45,709
Provisions	-	63,187	-	-	63,187
Others	68,595	62,094	19,619	(278)	150,030
	$ 700,075	$ 197,671	$ 50,643	($ 357)	$ 948,032
Deferred tax liabilities					
Property, plant and equipment	($ 22,718)	($ 22,924)	$ -	$ 723	($ 44,919)
Others	(60,271)	15,549	896	996	(42,830)
	($ 82,989)	($ 7,375)	$ 896	$ 1,719	($ 87,749)
	$ 617,086	$ 190,296	$ 51,539	$ 1,362	$ 860,283

E. The amounts of taxable temporary difference associated with investment in subsidiaries as deferred tax liabilities are as follows:

	As of December 31,	
	2016	2015
Investment in foreign subsidiaries	$ 6,693,787	$ 6,679,093

F. The Company has met the requirement of "Incentives for Emerging Important Strategic Industries in Manufacturing and Technology Services" for its capitalization plans in 2007 and is exempted from income tax for revenues arising from the assembly and testing of certain integrated circuit products for a five-year period from 2015. The five-year income tax exemptions will expire in December 2019.

G. The income tax returns of the Company have been assessed and approved by the Tax Authority through 2014.

H. According to the amended Enterprise Income Tax Law of P.R.C., the income tax rate adopted in subsidiary, Siliconware Technology (Suzhou) Limited, is 25%.

(23) Earnings Per Share

The basic EPS is determined by the net income dividing the weighted average of outstanding stocks, without the consideration of the treasury stocks holding by the Company. The diluted EPS is under the assumption that all potential ordinary stocks have been converted into ordinary stocks at the beginning of the period. The revenue and expense generated from the conversion should be included in the computation. The unsecured overseas convertible bond has anti-dilutive effect, and as a result, it would not be considered while calculating the dilution.

	For the year ended December 31, 2016		
	Income after tax	Weighted average outstanding common stock	Earnings per share (in dollars)
Basic earnings per share		(in thousands)	
Net income	$ 9,933,160	3,116,361	$ 3.19
Dilutive effect of employee compensation	-	28,643	
Convertible bonds	(779,928)	265,677	
Diluted earnings per share	$ 9,153,232	3,410,681	$ 2.68

	For the year ended December 31, 2015		
	Income after tax	Weighted average outstanding common stock	Earnings per share (in dollars)
Basic earnings per share		(in thousands)	
Net income	$ 8,762,257	3,116,361	$ 2.81
Dilutive effect of employee compensation	-	33,769	
Diluted earnings per share	$ 8,762,257	3,150,130	$ 2.78

As employees' compensation could be distributed in the form of stock or cash, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting period, which taking into account the dilutive effects of stock bonus on potential common shares. The number of shares is estimated by dividing the amount of employees' compensation by the closing price (after considering the dilutive effect of dividends) of the common shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employees' compensation to be settled in the form of common stocks are approved in the following year.

(24) Non-Cash Transactions

A. The investment activities partially paid by cash are as follows:

	For the years ended December 31, 2016	2015
Purchase of property, plant and equipment	$ 15,247,544	$ 14,009,988
Increase/(Decrease) in prepayment for equipment	21,754	(4,798)
Decrease/(Increase) in equipment payable, net	89,820	(838,740)
Decrease in notes payable of construction	-	699,900
Effect of foreign currency exchange	(63,997)	(10,919)
Current cash payment	$ 15,295,121	13,855,431

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B.Non-cash investing activities:

(1) As mentioned in Note 6 (5)B, as a result of the merger between ChipMOS Technologies Inc. and ChipMOS Technologies (Bermuda) Ltd., shareholders of ChipMOS Technologies (Bermuda) Ltd. received US$3.71 dollars in cash and 0.9355 shares of American Depository Shares ("ADSs") in exchange for each share in ChipMOS Technologies (Bermuda) Ltd. Each ADS represents 20 new common shares issued by ChipMOS Technologies Inc.

	For the year ended December 31, 2016
Available-for-sale financial assets, non-current -ADS of ChipMOS Technologies Inc.	$ 655,066
Available-for-sale financial assets, non-current -ChipMOS Technologies (Bermuda) Ltd. :	
Decrease in valuation of financial assets	(120,325)
Reversal of deferred income tax assets	120,325
Decrease in available-for-sale financial assets, non-current	(748,540)
Other income	(51,923)
Increase in other receivables	145,397
	$ -

(2) Interconnect made a capital reduction in December 2015. The 39% interests in AAPM were distributed to the Company as capital return.

	For the year ended December 31, 2015
Acquisition of investments accounted for using the equity method-AAPM	$ 137,011
Disposal of Associate-Interconnect:	
Decrease in difference on translation (Show as other equity item)	3,291
Decrease in deferred tax liabilities	674
Decrease in investments accounted for using the equity method	(1,409)
Gains on disposal of investments	(139,567)
	$ -

(25) Operating leases

The Company leases several parcels of land from the Science Park Administration with expiration date between December 2023 and December 2034. The Company can renew the leases upon expiration. The Company also entered into lease agreements for its buildings and certain machinery and equipment. Siliconware Technology (Suzhou) Limited also entered into lease agreements for its land use right and certain machinery and equipment. For years ended December 31, 2016 and 2015, the Company recognized rental expense amounted to $662,839 and $490,132, respectively.

7. Related Party Transactions

Intercompany balances and transactions between SPIL and its subsidiaries, which are related parties of SPIL, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

(1) Disposal of Financial Assets

	For the year ended December 31, 2016				
	Financial Statement Account	Shares/Units (In Thousands)	Marketable Securities Type and Name	Amount	Gain on Disposal
Associates	Available-for-sale financial assets－non-current	57,810	Hsieh Yong Capital Co., Ltd. (Stock)	$ 376,943	$ 206,943

(2) On June 30, 2016, the Company's board of directors has adopted resolution to approve the entering into and execution of a “joint share exchange agreement” (the “Agreement”) with Advanced Semiconductor Engineering, Inc. (the “ASE”) and agrees to establish a new holding company (the “Holdco”). The collaboration between the parties will result in synergies that can create a competitive advantages and opportunities for the future development and sustained growth of the semiconductor industry by enhancing efficiency and economies of scale as well deeply strengthening research and development and innovation capabilities, thereby providing customers with higher quality, more efficient, and well-rounded packaging and testing services. The Agreement will be conducted (1) at an exchange ratio of one ASE common share for 0.5 HoldCo common share, and (2) at NT$55 in cash for each of SPIL’s common shares, with ASE and SPIL becoming wholly-owned subsidiaries of HoldCo.

The cash consideration of NT$55 has been adjusted to NT$51.2 after excluding the NT$2.8 per share cash dividend distribution approved by resolution at SPIL’s annual shareholders’ meeting in 2016 as well as a NT$1.0 per share payment from capital reserve. The NT$51.2 cash consideration aforementioned will not be subject to further adjustment if the cash dividends distribution by SPIL in 2017 is less than 85% of SPIL’s after-tax net profit for the year 2016.

The closing of the transaction will be subject to the necessary approvals by relevant domestic and foreign competent authorities, the approvals by ASE and SPIL’s respective shareholders’ meeting as well as the satisfaction of other conditions precedent.

The long stop date of the Agreement (the “Long Stop Date”), which means the expiration of the Agreement, is set at 18 months after the execution date of the Agreement (i.e., December 31, 2017) or a later date otherwise agreed upon in writing by both parties. If the closing of this transaction cannot be consummated due to failure of the conditions precedent to be satisfied on or before the Long Stop Date, the Agreement shall be terminated automatically at 0:00 on the day immediately following the Long Stop Date, except as otherwise agreed thereof.

(3) Key Management Compensation

Key management includes directors and other executive officers. Their compensation is shown as below:

	For the Years Ended December 31, 2016	2015
Short-term employee benefits	$ 443,802	$ 370,943
Post-employment benefits	65,217	2,866
	$ 509,019	$ 373,809

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

8. Assets Pledged as Collateral

The following assets have been pledged as collateral against certain obligations of the Company:

Assets	As of December 31, 2016	As of December 31, 2015	Subject of collateral
Time deposits (shown as other financial assets, current)	$ 357,400	$ 384,400	Guarantees for customs duties and land leased from Science Park Administration

9. Significant Contigent Liabilities and Unrecongized Contract Commitment

(1) According to the Agreement between the Company and ASE, if any of the events described below occurs during the period from the Execution Date until the Share Exchange Record Date, except the prior written consent of ASE, the Company shall not nor procure the Company's subsidiaries to:

A. Issue any equity-linked securities (except for any share(s) newly issued as a result of the exercise of conversion rights by holders of the Company's Foreign Convertible Bonds).

B. Except for the repurchase of shares from the shareholders exercising appraisal rights in connection with this Transaction in accordance with laws and regulations and Article 13 hereof or redemption of the Company's Foreign Convertible Bonds as contractually agreed, directly or indirectly repurchase, individually or through any third party, its issued and outstanding shares or equity-linked securities, decrease capital, resolve for dissolution, or file for restructuring, settlement or bankruptcy.

C. Except subject to affirmative court judgments, arbitration awards or approvals, orders, administrative decisions or approved conditions/burdens or other requirements imposed by competent authorities (including, but not limited to, the Taiwan Stock Exchange, the Taiwan Fair Trade Commission, the United States Federal Trade Commission, the SEC, and the Antitrust Law Enforcement Authorities of Relevant Countries and Regions), none of the Company or any of its directors, managers, employees, agents or representatives may offer, agree, enter into or sign with any third party any contract, agreement or other arrangements in respect of any following matter: (a) any transaction that may involve a spin-off, a purchase or a sale of shares of non-financial investment nature, or any other transaction of similar nature; (b) a lease of all businesses or an entrustment, a joint operation, or an assumption of the entire business or assets from others (except for an assumption of the entire business or assets from others in an aggregated transaction amount less than NT$500,000,000); or (c) any merger and acquisition without issuing HoldCo's shares, any sale of all or material assets or businesses of 100% Subsidiaries, any disposal of interest in material assets or businesses of 100% Subsidiaries, or exclusive licensing of all or material patents or technologies of 100% Subsidiaries, provided.

However, if the Company receives a Superior Proposal from a third party the conditions of which are more favorable than those of this Transaction that cannot complete the Share Exchange under this Agreement due to its acceptance of a Superior Proposal as set forth above, the Company shall pay to ASE the amount of NT$17 billion as a termination fee for the Transaction.

(2) For the needs of future operation expansion, the Company entered into several significant agreements amounting to $2,920,213, of which $1,244,904 remained unpaid as of December 31, 2016.

(3) The Company entered into several contracts for the use of certain technologies and patents in exchange for loyalty payments. Contracts are valid until the expiry of patents or upon termination by both parties.

(4) Future minimum lease payments made under the non-cancellable operating leases are as follows:

	As of December 31, 2016
Within 1 year	$ 141,578
1-5 year(s)	335,970
Over 5 years	757,809
	$ 1,235,357

10. Significant Disaster Loss

None.

11. Significant Event After the Reporting Period

None.

12. Others

(1) Financial Risk Management

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, price risk, and interest rate risk), credit risk and liquid risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

A. Market risk

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and the JPY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group implements the policy of natural hedging and monitors the foreign exchange rate fluctuation closely to manage the risk. The Group's exposure to foreign exchange risk is as follows:

	As of December 31, 2016			
			Sensitivity analysis	
(Foreign currencies: functional currencies)	Foreign Currencies in thousands	Exchange rates	Movement	Impact to profit and loss before tax (NT$)
Financial assets				
Monetary assets				
USD:NTD	$ 800,272	32.200	1%	$ 257,688
USD:RMB	17,786	6.9370	1%	$ 5,727
Nonmonetary assets				
USD:NTD	21,951	32.200	N/A	N/A
Investments accounted for using the equity method				
USD:NTD	559	32.250	N/A	N/A
Financial Liabilities				
Monetary liabilities				
USD:NTD	596,659	32.300	1%	192,721
USD:RMB	113,280	6.9370	1%	36,589
JPY:NTD	3,838,753	0.2776	1%	10,656
JPY:RMB	596,668	0.0596	1%	1,656

	As of December 31, 2015			
			Sensitivity analysis	
(Foreign currencies: functional currencies)	Foreign Currencies in thousands	Exchange rates	Movement	Impact to profit and loss before tax (NT$)
Financial assets				
Monetary assets				
USD:NTD	$ 793,731	32.775	1%	$ 260,145
USD:RMB	16,231	6.4936	1%	5,320
Nonmonetary assets				
USD:NTD	30,409	32.775	N/A	N/A
Investments accounted for using the equity method				
USD:NTD	3,739	32.825	N/A	N/A
Financial Liabilities				
Monetary liabilities				
USD:NTD	660,413	32.875	1%	217,111
USD:RMB	120,271	6.4936	1%	39,539
JPY:NTD	3,549,618	0.2747	1%	9,751
JPY:RMB	165,246	0.0539	1%	454

Total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to $104,365 and $77,439, respectively.

(b) Price risk

Pursuant to the strategic investment objective, the Group is exposed to equity securities price risk in public market investments held by the Group, which are classified as available-for-sale financial assets. To manage such market price risk, the Group monitors the future development of the investees and the market trend. Most investments of the Group are in electronic industry.

Unimicron Technology Co. (sold in February 2016), ChipMOS Technologies Inc., and ChipMOS Technologies (Bermuda) Ltd. (merged with ChipMOS Technologies Inc. on October 31, 2016, with US$3.71 dollars in cash and 0.9355 shares of ADSs in exchange for each share in ChipMOS Technologies (Bermuda) Ltd.) are traded publicly in the market. Unimicron Technology Co. and ChipMOS Technologies Inc. are listed on Taiwan Stock Exchange. ADSs of ChipMOS Technologies Inc. and ChipMOS Technologies (Bermuda) Ltd. are listed on NASDAQ. For other equity investees that are not traded in public market, the Company implements suitable techniques to perform the assessments. As of December 31, 2016 and 2015, if the market price had increased/decreased by 10% with all other variables held constant, other comprehensive income would have increased/decreased by $352,579 and $585,978, respectively.

(c) Interest rate risk

The Group's interest rate risk arises from cash, interest bearing time deposits, and borrowings. Mostly, residual cash will be held as deposit. As of December 31, 2016 and 2015 the Group held financial assets with cash flow interest rate risk of $6,092 and $41,592, respectively, and financial liabilities with cash flow interest rate risk of $21,083,583 and $16,646,875, respectively. If the interest rate had been increased/ decreased by 10 basis points (0.1%), with foreign exchange rates held constant, income before income tax for the period would have been $21,077 and $16,605 lower/higher.

B. Credit risk

The Group's credit risk mainly arises from cash and cash equivalents (deposits with banks or financial institutions), accounts and notes receivable and refundable deposits.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(a) For risks from banks and financial institutions, the Group periodically assesses their credit ratings based on information provided by external independent rating institutes. Furthermore, to minimize the credit risk, the Group allocates deposits based on each bank's credit rating results. After the assessment, most of banks and financial institutions the Group transacts with are with minimum rating of "A", which represents low credit default risks.

(b) For risks arising from accounts and notes receivable, the Group assesses customers' credit quality through internal risk assessment, taking into account of their current financial conditions and past transaction experiences. After the assessment, management does not expect significant losses from non-performance by these counterparties.

(c) Aging analysis of accounts receivable that were past due is as follows:

	As of December 31, 2016		
	Total	Impaired	Unimpaired
1-90 days	$ 933,715	$ -	$ 933,715
91-180 days	54,947	-	54,947
Over 180 days	5,401	1,695	3,706
	$ 994,063	$ 1,695	$ 992,368

	As of December 31, 2015		
	Total	Impaired	Unimpaired
1-90 days	$ 767,130	$ -	$ 767,130
91-180 days	9,005	-	9,005
Over 180 days	14,015	1,695	12,320
	$ 790,150	$ 1,695	$ 788,455

Note: In 2016 and 2015, no impairment loss incurred on accounts receivable that are not past due.

(d) As of December 31, 2016 and 2015, the Group's ten largest customers accounted for 65% and 67% of accounts receivables, respectively. The Group considers the concentration of credit risk for the remaining accounts receivables is immaterial.

C. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business needs, and to maintain adequate cash and banking facilities to repay the borrowings. By considering its debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets, and other important factors, the Company's finance department monitors the Group's cash requirements and forecasts its future cash flow.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual terms (including principal and interest payments), which is presented on an undiscounted basis:

	As of December 31, 2016				
	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Short-term Loans	$ 2,761,041	$ -	$ -	$ -	$ 2,761,041
Accounts Payable	8,194,647	-	-	-	8,194,647
Other Payables	11,896,517	-	-	-	11,896,517
Other Current Liabilities-Others	106,859	-	-	-	106,859
Convertible Bonds (include the current portion)	13,312,768	-	-	-	13,312,768
Long-term Loans (include the current portion)	3,714,850	2,851,419	5,959,549	6,402,421	18,928,239
Other Non-Current Liabilities	-	63,215	-	8,279	71,494
	$ 39,986,682	$ 2,914,634	$ 5,959,549	$ 6,410,700	$ 55,271,565

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

	As of December 31, 2015				
	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Short-term Loans	$ 2,822,367	$ -	$ -	$ -	$ 2,822,367
Accounts Payable	6,942,527	-	-	-	6,942,527
Other Payables	11,512,740	-	-	-	11,512,740
Other Current Liabilities-Others	215,304	-	-	-	215,304
Convertible Bonds	-	13,549,760	-		13,549,760
Long-term Loans (include the current portion)	6,163,404	3,604,387	2,220,940	2,192,170	14,180,901
Other Non-Current Liabilities	-	118,580	59,175	9,088	186,843
	$ 27,656,342	$ 17,272,727	$ 2,280,115	$ 2,201,258	$ 49,410,442

(2) Capital Risk Management

The capital includes common share, capital reserve, retained earnings, and other equity items. The Group's objectives in managing capital are to maintain sufficient capital to expand production capacity and equipment, and ensure the Group has sufficient and necessary financial resources to deal with operating capital demand, capital expenditure, research and development expenditure, dividend expenditure, loan repayment, and other operating demand.

Except for those mentioned in Note 6 (13), the Company does not have to follow any restrictions of outside capital.

(3) Fair Value Information

A. Fair value of financial instruments not carried at fair value

Except for convertible bonds which are measured at amortized cost, the management considers that the carrying amounts of financial assets and financial liabilities approximate to their fair values. The fair value of the Group's short-term financial instruments including cash and cash equivalents, receivables, time deposits, short-term loans, current portion of long-term loans, payables, receipts under custody and deposits received approximated their carrying amount due to their maturities within one year. The Group's non-current financial instruments including non-interest bearing refundable deposits, receipts under custody, and bank loans carried at floating interest rates and long-term payables. The fair value of these financial instruments are approximated to its carrying amount due to the impact of discounting is not significant, or because the floating interest rates reset periodically to reflect the market conditions and the Group's credit rating. As of December 31, 2016 and 2015, the book value and the fair value of the convertible bonds (including the current portion) are as follows:

	Carrying Amount	Fair Value (Level 3)
December 31, 2016	$ 12,712,651	$ 12,841,188
December 31, 2015	$ 12,627,311	$ 12,785,745

The fair value was determined using discounted cash flow analysis with the applicable yield curve for the duration or the recent transaction prices.

B.The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

The Group's financial instruments measured at fair value are as follows:

	As of December 31, 2016		
Recurring basis	Level 1	Level 2	Level 3
Available-for-sale financial assets	$ 3,615,658	$ 178,176	$ -
Financial liability at fair value through profit or loss	$ -	$ -	$ 773,908

	As of December 31, 2015		
Recurring basis	Level 1	Level 2	Level 3
Available-for-sale financial assets	$ 5,996,993	$ 596,623	$ -
Financial liability at fair value through profit or loss	$ -	$ -	$ 1,798,920

As of December 31, 2016 and 2015, there was no financial instrument that was measured at fair value on a non-recurring basis.

(1) The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. For financial instruments with fair value not traded in active markets, the Company uses valuation techniques, which maximize the use of observable market data where it is available and relies as little as possible on entity specific estimates. The valuation technique currently used for unlisted available-for-sale securities is the market approach. The valuation is based on the benchmark companies' stock prices and other specific indexes. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

A. Quoted market prices or dealer quotes for similar instruments;

B. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(2) There were no transfers between Level 1 and 2 for the year ended December 31, 2016 and 2015.

(3) The fair value measurements for the Company's derivative instruments are carried out on the basis of a binomial model, with measurement on a quarterly basis. In the course of the valuation process, the required market data are collected and the non-observable parameters are examined and updated as required on the basis of internally available current information. In particular, the premises of the enterprise value of the Company's derivative instruments, as well as any significant changes in the input parameters and their respective effects on the value of the option, are reported to management on a quarterly basis.

Parameters with a significant influence on the measurement of the option are the value of the Company's derivative instruments as determined with the use of a discounted cash flow method and the expected volatility of that value. The approach for volatility estimation was changed to a direct analysis of the historical volatility. The higher the volatility, the fair value of the Company's derivative instrument will be higher. The volatility as of December 31, 2016 and 2015 is 26.83% and 34.80%, respectively.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

(4) Reconciliation of Level 3 fair value measurements of financial liabilities

	2016	2015
As of January 1	$ 1,798,920	$ 1,095,552
Gains and losses recognised in profit or loss	(1,025,012)	703,368
As of December 31	$ 773,908	$ 1,798,920

The total gains or losses for the year ended December 31, 2016 and 2015 included a gain of $1,025,012 and a loss of $703,368, respectively, relating to the financial liabilities at fair value on Level 3 fair value measurement and held at balance sheet date.

(5) The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is considered reasonable. However, using different valuation models or assumptions may result in difference in fair value measurement. For financial assets and liabilities categorized within Level 3, a 10% increase in the value of stock market price would lead to a decrease in income before tax by $662,796 and $723,250 for the years ended December 31, 2016 and 2015, respectively. On the other hand, a 10% decrease in the value of the stock market price would increase income before tax by $549,100 and $665,390 for the years ended December 31, 2016 and 2015, respectively. A 5% increase in the expected volatility of the value of the derivative instrument would lead to a decrease in income before tax by $258,400 and $253,795 for the years ended December 31, 2016 and 2015, respectively. A 5% decrease in the expected volatility of the value of derivative instrument would increase income before tax by $276,488 and $365,570, for the years ended December 31, 2016 and 2015, respectively.

13. Special Disclosure Items

(1) Significant Transaction Information

A. Loans to others: None.

B. Endorsement and guarantee provided to third parties: None.

C. The ending balances of marketable securities are summarized as follows:

				As of December 31, 2016				
Investor	Type and Name of securities	The relationship of the issuers with the Company	Financial statement accounts	Shares/Units (in thousands)	Book value	Percentage of ownership	Fair value	Notes
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies Inc. (Stock)	－	Available-for-sale financial assets－noncurrent	132,775	3,087,019	15.50%	3,087,019	－
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies Inc. (ADSs)	－	Available-for-sale financial assets－noncurrent	1,164	528,639	2.72%	528,639	2
Siliconware Precision Industries Co., Ltd.	Mega Mission Limited Partnership (Fund)	－	Available-for-sale financial assets－current	(Note 1)	178,176	4.00%	178,176	3

Note 1: The contributed capital was US$6,000 thousand.

Note 2: The percentage of ownership is computed based on common shares to be issued by ChipMOS Technologies Inc. upon converting the ADSs into commom shares issued by ChipMOS Technologies Inc..

Note 3: The carrying value includes the impairment loss in the amount of $71,721.

D. Securities for which total buying or selling exceeds the lower of NT$300,000 or 20 percent of the Company’s paid-in capital:

For the year ended December 31, 2016:

					Beginning Balance		Acquisition		Disposal				Ending Balance	
Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
Siliconware Precision Industries Co., Ltd.	Unimicron Technology Corporation (Stock)	Available-for-sale financial assets — current	-	-	76,502	$ 1,067,204	-	$ -	76,502	$ 1,077,460	$ 1,067,204	$ 10,256	-	$ -
Siliconware Precision Industries Co., Ltd.	Hsieh Yong Capital Co., Ltd. (Stock)	Available-for-sale financial assets — non-current	Yann Yuan Investment Co., Ltd	Subsidiary's investments accounted for using equity method	57,810	407,098	-	-	57,810	376,943	170,000	206,943	-	-

E. Acquisition of real estate with an amount exceeding the lower of NT$300,000 or 20 percent of the Company’s paid-in capital:

For the year ended December 31, 2016: None.

F. Disposal of real estate with an amount exceeding the lower of NT$300,000 or 20 percent of the Company’s paid-in capital:

For the year ended December 31, 2016:

Company Name	Types of Property	Transaction Date	Acquisition Date	Carrying Value	Transaction Amount	Amount Received	Gain on Disposal (Note)	Counter-party	Relationships	Purpose of Disposal	Price Reference	Other Terms
Siliconware Precision Industries Co., Ltd.	Plant and its affiliated equipment of Hsinchu second factory	Dec 16, 2016	May, 1996-Nov, 2016	$ 387,503	$ 412,000	$ 41,200	$ 19,402	INTEGRATED SERVICE TECHNOLOGY INC.	-	Cost saving and assets activating	Appraisal report	-

Note : Expected gain on disposal

G. Related party transactions with purchases and sales amounts exceeding the lower of NT$100,000 or 20 percent of the Company’s paid-in capital:

For the year ended December 31, 2016: None.

H. Receivables from related parties exceeding the lower of NT$100,000 or 20 percent of the Company's paid-in capital:

For the year ended December 31, 2016: None.

I. Transaction of derivative financial instruments:

For the year ended December 31, 2016: Please refer to the Notes 6 (10) and (12).

J. Others: the business relationships and the significant transactions as well as amounts between the parent company and the subsidiaries:

For the year ended December 31, 2016:

				Transaction			
No.	Company name	Counterparty	Relationship	General ledger Account	Amount (Note 2)	Transaction terms	Percentage of consolidated revenues or total assets
0	Siliconware Precision Industries Co., Ltd.	Siliconware USA, Inc.	Indirectly owned subsidiary	Commision	$ 477,243	As specified in contract	0.56%
0	Siliconware Precision Industries Co., Ltd.	Siliconware USA, Inc.	Indirectly owned subsidiary	Other payables	48,017	Comparable to those provided by non-related parties	0.04%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned subsidiary	Other revenues	331,037	(Note 1)	0.39%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned subsidiary	Other receivables	77,725	(Note 1)	0.06%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned subsidiary	Other payables	32,882	(Note 1)	0.03%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned subsidiary	Property, plant, and equipment	76,707	(Note 1)	0.06%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned subsidiary	Property, plant, and equipment	39,969	(Note 1)	0.03%

Note1 : The purchase prices and payment terms provided to/by Siliconware Technology (Suzhou) Limited were determined in accordance with mutual agreement due to no comparable transactions.

Note 2 : Eliminated under consolidation

(2) Related Information on Investee Companies

Investor	Name of Investee	Location	Main activities	Original investments: Current period ending balance	Original investments: Prior period ending balance	The Company / majority owned subsidiary owns: Shares (in thousands)	The Company / majority owned subsidiary owns: Ownership percentage	The Company / majority owned subsidiary owns: Book value	Current period: Net income (loss) of investee	Current period: Income (loss) recognized by the Company	Notes
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I.) Holding Limited	British Virgin Islands	Investment activities	$ 4,140,900	$ 4,140,900	128,400	100.00%	$ 10,859,311	$ 921,104	$ 921,104	1、4 and 5
Siliconware Precision Industries Co., Ltd.	Siliconware Investment Co., Ltd	Taipei, Taiwan	Investment activities	2,401,000	2,401,000	48,020	100.00%	2,383,624	115,824	115,824	1 and 5
Siliconware Precision Industries Co., Ltd.	Vertical Circuits, Inc.	Scott Valley, CA, USA	Assembly service providing	161,250	161,250	15,710	30.68%	-	-	-	3 and 4
Siliconware Precision Industries Co., Ltd.	ASM Advanced Packaging Materials Pte. Ltd.	Singapore	Designing, manufacturing, and selling substrates.	136,250	136,250	4,225	39.00%	18,019	(262,405)	(102,338)	3 and 4
Siliconware Investment Co., Ltd	Yann Yuan Investment Co., Ltd	Taipei, Taiwan	Investment activities	2,400,000	2,400,000	48,000	33.33%	2,382,962	348,006	115,990	3
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc.	San Jose, CA, USA	Communications and relationship maintenance with companies headquartered in North America	40,313	40,313	1,250	100.00%	219,707	14,469	14,469	2、4 and 5
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Cayman Islands, British West India	Investment activities	4,198,950	4,198,950	130,200	100.00%	10,718,106	906,999	906,999	2、4 and 5

Note 1: The Company’s 100% owned subsidiary.

Note 2: The Company’s indirect subsidiary.

Note 3: The Company's associates which are accounted for under the equity method.

Note 4: The foreign currency exchange rates prevailing at the balance sheet date were used for the currency translation to New Taiwan Dollar.

Note 5 : Eliminated under consolidation

(3) Information of investment in Mainland China:

A. Information of investment in Mainland China: (The amount in USD is presented in thousands.)

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2016	Remitted or (collected) during this period	Accumulated remittance as of December 31, 2016	Ownership held by the Company (Direct and indirect)	Current period income (loss) of the investee
Siliconware Technology (Suzhou) Limited	Provision of assembly and testing service	$ 4,676,024 (USD 144,993) (Note 1)	(Note 2)	$ 4,192,500 (USD 130,000)	$ -	$ 4,192,500 (USD 130,000)	100%	$ 955,788

Investment income (loss) recognized by the Company during the period	Ending balance of investment	The investment income (loss) remitted back as of December 31, 2016	Accumulated remittance from Taiwan to Mainland China	The investment balance approved by Investment Commissions, Ministry of Economic Affairs	The ceiling of investment in Mainland China according to Investment Commissions, Ministry of Economic Affairs
$ 959,233 (Notes 3, 5 and 6)	$ 10,718,016 (Note6)	$ -	$ 4,192,500 (USD 130,000)	$ 4,676,024 (USD 144,993)	(Note7)

Note 1: The capital includes new shares issued through capitalization of earnings in the amount of US$14,993.

Note 2: The Company set up a subsidiary in the third country to invest in Mainland China.

Note 3: The investment income (loss) was recorded based on the Company's audited financial statements.

Note 4: The foreign currency exchange rates prevailing at the balance sheet date were used for the currency translation.

Note 5: The current recognized investment income (loss) had excluded the amounts of unrealized intercompany profit or (loss) on disposal of assets and sales.

Note 6: Eliminated under consolidation

Note 7: Based on the Rule No. 09704604680, “Regulations Governing Security Investment and Technical Cooperation in the Mainland Area” set by Ministry of Economic Affairs, the Company received documents from the Industrial Development Bureau of Ministry of Economic Affairs which proved that the Company’s operation is qualified for operations of operating headquarters. Therefore, the Company is not required to impute the ceiling of investment in Mainland China.

B. Material transactions occurred directly or indirectly between the Company and its Mainland China investee companies via enterprises in other areas:

Please refer to the Note 13 (1) J.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS STATED OTHERWISE)

14. Segment Information

(1) General Information

The Group's chief operating decision maker assesses the performance and makes decision to allocate resources based on the different economic environments; therefore there were two operating segments. All of our segments have identical economic characteristics (long-term average gross margins) and meet all criteria of aggregation. As a result, the Group discloses one reporting segment by aggregating all our operating segments.

(2) Breakdown of the Revenue From Different Products and Services:

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Packaging	$ 74,315,486	$ 72,752,428
Test	10,227,996	9,551,025
Others	568,431	536,469
	$ 85,111,913	$ 82,839,922

(3) Operations in Different Geographic Areas:

Revenues are summarized by the areas where our customers' group headquarters locate. Non-current assets, including equity method investment, property, plant and equipment, and other assets, but not including financial instruments and deferred tax assets, are categorized by their locations.

	For the Years Ended December 31,			
	2016		2015	
	Revenues	Noncurrent Assets	Revenues	Noncurrent Assets
USA	$ 33,624,139	$ 1,728	$ 30,076,050	$ 1,553
China	22,724,680	9,014,191	21,318,660	8,068,694
Taiwan	19,683,484	59,371,230	18,106,693	59,606,745
Europe	6,794,827	-	8,470,707	-
Others	2,284,783	18,019	4,867,812	122,748
	$ 85,111,913	$ 68,405,168	$ 82,839,922	$ 67,799,740

(4) Major Customers:

In 2016 and 2015, operating revenues of $15,979,382 and $15,096,281 were from customer A, respectively, and the operating revenues of $11,794,072 and $10,053,063 were from customer B, respectively.