

SILICONWARE PRECISION INDUSTRIES CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

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For the convenience of readers and for information purpose only, the report of independent accountants and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language report of independent accountants and financial statements shall prevail.

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying parent company only balance sheets of Siliconware Precision Industries Co., Ltd. as at December 31, 2017 and 2016, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Siliconware Precision Industries Co., Ltd. as at December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and 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 Parent Company only Financial Statements* section of our report. We are independent of Siliconware Precision Industries Co., Ltd. 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 parent company only financial statements of Siliconware Precision Industries Co., Ltd. as of and for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Cut-off of revenue recognition

Description

As described in Note 4(23), 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 customers. 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 service 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 cut-off of revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures are as follows:

1. Understood and assessed the accounting policy of revenue recognition and related internal controls.
2. Understood and assessed the procedures in recording the completion of assembly and testing of services.
3. Understood the calculation of system reports used to determine revenue recognition, and selected samples to test its program logic and to assess its program change control of partial system reports.
4. Understood and tested the internal control on quotation and billing procedures.
5. Tested the service completion status for a certain period before and after the balance sheet date to assess the reasonableness of revenue cut-off.
6. Performed external confirmation over the balances of accounts receivable as of the balance sheet date to confirm that the accounts receivables and revenue are recorded in the proper period.

Responsibilities of management and those charged with governance for parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing Siliconware Precision Industries Co., Ltd.’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Siliconware Precision Industries Co., Ltd. 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.'s financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Siliconware Precision Industries Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Siliconware Precision Industries Co., Ltd.'s 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Siliconware Precision Industries Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



資誠

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

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

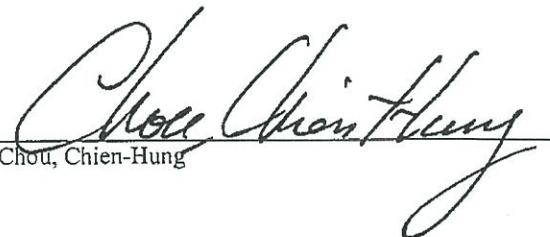
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements 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.


Andy Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2018


Chou, Chien-Hung

The accompanying parent company only 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 parent company only 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.
PARENT COMPANY ONLY BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		As of	
	Notes	December 31, 2017	December 31, 2016
Current Assets			
Cash and cash equivalents	6 (1), 6 (7)	\$ 21,083,987	\$ 20,926,050
Available-for-sale financial assets, current	6 (5), 6 (7)	-	178,176
Notes receivable, net	6 (7)	8,364	7,645
Accounts receivable, net	6 (2), 6 (7)	13,337,926	14,631,976
Other receivables	6 (7), 7	558,220	591,061
Inventories	6 (3)	5,347,401	5,826,489
Non-current assets held for sale	6 (4), 6 (8)	-	387,503
Other current assets - other	6 (7), 8	766,374	785,631
		<u>41,102,272</u>	<u>43,334,531</u>
Non-current Assets			
Available-for-sale financial assets, non-current	6 (5), 6 (7)	4,135,207	3,615,658
Investments accounted for using the equity method	6 (6)	15,922,709	13,260,954
Property, plant and equipment	6 (8), 7	51,354,588	56,754,497
Intangible assets	6 (9)	105,305	162,119
Deferred income tax assets	6 (22)	597,086	767,211
Other non-current assets - other	6 (7)	895,967	582,727
		<u>73,010,862</u>	<u>75,143,166</u>
<u>TOTAL ASSETS</u>		<u>\$ 114,113,134</u>	<u>\$ 118,477,697</u>
Current Liabilities			
Financial liabilities at fair value through profit or loss, current	6 (7), 6 (10)	\$ 809,640	\$ 773,908
Accounts payable	6 (7)	6,093,257	7,020,170
Other payables	6 (7), 6 (11), 7	8,590,309	10,734,777
Current income tax liabilities	6 (22)	616,926	576,841
Current portion of convertible bonds	6 (7), 6 (12)	-	12,712,651
Current portion of long-term loans	6 (7), 6 (13)	3,173,333	3,500,747
Other current liabilities - other	6 (7)	411,828	606,025
		<u>19,695,293</u>	<u>35,925,119</u>
Non-current Liabilities			
Convertible bonds	6 (7), 6 (12)	12,015,229	-
Long-term loans	6 (7), 6 (13)	12,666,667	14,840,000
Deferred income tax liabilities	6 (22)	-	28,956
Other non-current liabilities	6 (7), 6 (14)	1,416,153	1,496,302
		<u>26,098,049</u>	<u>16,365,258</u>
Total Liabilities		<u>45,793,342</u>	<u>52,290,377</u>
Shareholders' Equity			
Capital stock	6 (15)	31,163,611	31,163,611
Capital reserve	6 (16)	12,642,615	12,641,997
Retained earnings	6 (17)		
Legal reserve		11,837,317	10,844,001
Unappropriated earnings		10,698,848	10,252,276
Accumulated other comprehensive income	6 (18)	1,977,401	1,285,435
Total Shareholders' Equity		<u>68,319,792</u>	<u>66,187,320</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>		<u>\$ 114,113,134</u>	<u>\$ 118,477,697</u>

The accompanying notes are an integral part of these parent company only financial statements.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE)

	Notes	For the years ended December 31,	
		2017	2016
Operating Revenues	7	\$ 72,587,187	\$ 74,580,973
Operating Costs	6 (3), 6 (9), 6 (19)	(58,174,078)	(57,678,650)
Gross Profit		<u>14,413,109</u>	<u>16,902,323</u>
Operating Expenses	6 (9), 6 (19), 7		
Selling expenses		(1,029,748)	(1,039,433)
General and administrative expenses		(2,760,063)	(3,042,613)
Research and development expenses		(3,504,116)	(3,856,969)
		<u>(7,293,927)</u>	<u>(7,939,015)</u>
Operating Profit		<u>7,119,182</u>	<u>8,963,308</u>
Non-operating Income and Expenses			
Other income	6 (5), 6 (20), 6 (24), 7	769,964	850,652
Other gains and losses	6 (21), 7	(105,779)	(161,882)
Finance costs	6 (12)	(515,189)	(515,961)
Share of profit of subsidiaries and associates accounted for using equity method	6 (6)	881,684	934,590
Gains on disposal of investments	6 (5), 6 (6), 7	51,589	217,199
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)	(35,732)	-
		<u>1,046,537</u>	<u>2,349,610</u>
Income before Income Tax		8,165,719	11,312,918
Income Tax Expense	6 (22)	(1,265,554)	(1,379,758)
Net Income		<u>\$ 6,900,165</u>	<u>\$ 9,933,160</u>
Other Comprehensive Income	6 (18), 6 (22)		
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		10,647	(177,806)
Income tax relating to items that will not be reclassified to profit or loss		(1,810)	30,227
Items that may be subsequently reclassified to profit or loss			
Exchange difference on translation of foreign financial statements		(226,323)	(908,801)
Unrealized gain (loss) on available-for-sale financial assets		465,175	(1,469,105)
Share of other comprehensive income (loss) of associates		456,665	(132,938)
Income tax relating to items that will not be reclassified to profit or loss		(12,388)	154,113
Other Comprehensive Income (Loss) for the year, net of tax		<u>691,966</u>	<u>(2,504,310)</u>
Total Comprehensive Income for the year		<u>\$ 7,592,131</u>	<u>\$ 7,428,850</u>
Earnings Per Share (in dollars)	6 (23)		
Basic		<u>\$ 2.21</u>	<u>\$ 3.19</u>
Diluted		<u>\$ 1.86</u>	<u>\$ 2.68</u>

The accompanying notes are an integral part of these parent company only financial statements.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Retained Earnings				Other Equity Items				
						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	
	Notes	Capital Stock	Capital Reserve	Legal Reserve	Unappropriated Earnings					
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 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		<u>\$ 31,163,611</u>	<u>\$ 12,641,997</u>	<u>\$10,844,001</u>	<u>\$ 10,252,276</u>	<u>\$ 1,974,250</u>	<u>(\$ 415,305)</u>	<u>(\$ 273,510)</u>	<u>\$ 66,187,320</u>	
For the year ended December 31, 2017										
Balance at January 1, 2017		\$ 31,163,611	\$ 12,641,997	\$10,844,001	\$ 10,252,276	\$ 1,974,250	(\$ 415,305)	(\$ 273,510)	\$ 66,187,320	
Appropriation of earnings for prior years:	6(17)									
Legal reserve		-	-	993,316	(993,316)	-	-	-	-	
Cash dividends		-	-	-	(5,453,632)	-	-	-	(5,453,632)	
Changes in equity of associates accounted for using equity method		-	-	-	(6,645)	-	-	-	(6,645)	
Chagnes in other capital reserve	6(16)	-	618	-	-	-	-	-	618	
Net income		-	-	-	6,900,165	-	-	-	6,900,165	
Other comprehensive income (loss)	6(18)	-	-	-	-	909,590	(226,461)	8,837	691,966	
Total comprehensive income (loss)		-	-	-	6,900,165	909,590	(226,461)	8,837	7,592,131	
Balance at December 31, 2017		<u>\$ 31,163,611</u>	<u>\$ 12,642,615</u>	<u>\$11,837,317</u>	<u>\$ 10,698,848</u>	<u>\$ 2,883,840</u>	<u>(\$ 641,766)</u>	<u>(\$ 264,673)</u>	<u>\$ 68,319,792</u>	

The accompanying notes are an integral part of these parent company only financial statements.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		<u>For the years ended December 31,</u>	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>			
Income before income tax		\$ 8,165,719	\$ 11,312,918
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8), 6(19)	12,804,558	11,633,972
Amortization	6(19)	156,206	308,854
Provision for bad debt expense	6(2)	11,911	-
(Gain) loss on financial liabilities at fair value through profit or loss	6(10)	35,732	(1,025,012)
Interest expense		515,038	515,711
Interest income	6(20)	(122,415)	(100,950)
Dividend income	6(20)	(204,810)	(277,798)
Foreign currency exchange gains on convertible bonds payable		(987,093)	(221,082)
Share of gains of associates accounted for using equity method		(881,684)	(934,590)
Gains on disposal of property, plant and equipment	6(21)	(162,455)	(50,733)
Gain on disposal of non-current assets held for sale	6(4), 6(21)	(19,402)	-
Gains on disposal of investments	6(5), 6(6), 7	(51,589)	(217,199)
Impairment losses on non-financial assets	6(8), 6(21)	73,911	67,156
Foreign currency exchange gains on long-term loans		(89,221)	(285,696)
Premium from merger of available-for-sale financial assets	6(5), 6(24)	-	(51,923)
Changes in assets and liabilities related to operation			
Notes receivable		(719)	(438)
Accounts receivable		1,282,139	(1,371,124)
Other receivables		66,588	59,510
Inventories		479,088	(1,189,050)
Other current assets - other		53,954	(567)
Other non-current assets - other		(165,359)	(8,669)
Accounts payable		(926,913)	1,247,099
Other payables		(718,856)	330,317
Other current liabilities		(222,633)	(21,194)
Other non-current liabilities		(11,569)	53,045
Cash provided by operations		19,080,126	19,772,557
Interest received		127,477	100,226
Dividend received		195,072	277,798
Interest paid		(224,296)	(202,403)
Income tax paid		(1,098,495)	(1,261,577)
Net cash provided by operating activities		<u>18,079,884</u>	<u>18,686,601</u>

(Continued)

SILICONWARE PRECISION INDUSTRIES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		<u>For the years ended December 31,</u>	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>Cash flows from investing activities</u>			
Proceeds from disposal of available-for-sale financial assets	6(5)	\$ -	\$ 1,454,403
Return of capital contribution from available-for-sale financial assets	6(5)	176,855	-
Acquisition of investments accounted for using equity method		(1,541,395)	-
Proceeds from disposal of non-current assets held for sale	6(4)	411,745	-
Acquisition of property, plant and equipment	6(24)	(9,042,514)	(12,279,198)
Proceeds from disposal of property, plant and equipment		196,804	202,688
Increase in refundable deposits		(634,829)	(549,815)
Decrease in refundable deposits		410,999	222,559
Acquisition of intangible assets	6(9)	(26,811)	(69,036)
Decrease (increase) in pledged deposits	8	(34,700)	27,000
Net cash used in investing activities		(10,083,846)	(10,991,399)
<u>Cash flows from financing activities</u>			
Proceeds from long-term loans		1,000,000	9,000,000
Repayment of long-term loans		(3,413,112)	(4,228,721)
Increase in deposit-in		70,501	35,358
Decrease in deposit-in		(41,858)	(125,822)
Payment for cash dividends and cash distribution from capital reserve	6(16), 6(17)	(5,453,632)	(11,842,172)
Net cash used in financing activities		(7,838,101)	(7,161,357)
Net increase in cash and cash equivalents		157,937	533,845
Cash and cash equivalents at the beginning of the year		20,926,050	20,392,205
Cash and cash equivalents at the end of the year	6(1)	<u>\$ 21,083,987</u>	<u>\$ 20,926,050</u>

The accompanying notes are an integral part of these parent company only financial statements.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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., Tantz, Taichung 427, Taiwan, R.O.C.

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

The parent company only financial statements have been authorized to issue by the Board of Directors on February 23, 2018.

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”)

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 19)	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

Except for the following, the above standards and interpretations have no significant impact on the Company’s accounting policies based on the Company’s assessment.

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.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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. Please refer to Note 6(8).

(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 2018:

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
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
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

Except for the following, the above standards and interpretations have no significant impact on the Company's accounting policies based on the Company's assessment.

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.

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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.

The identified difference is as below:

After adopting IFRS 15, In the case of services provided according to the customer's agreed specifications, if the customer simultaneously obtains and consumes the benefits provided by the performance of the Company, or when the customer controls the assets at the time the assets are created or strengthened, the Company will gradually recognize its revenue over time. Before adopting IFRS15, the Company recognized revenue at a point of time when the process agreed with the customer was completed.

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 accounts receivable and contract assets that do not contain a significant financing component.

After adopting IFRS 9, the Company plans to adopt simplified approach for accounts receivable and contract assets and measure the loss allowance at an amount equal to life time expected credit losses under credit loss model. Before adopting IFRS 9, the Company assessed at the end of each reporting period whether there is no objective evidence on impairment, and then collectively assessed impairment on receivables.

The Company expects to adopt the IFRS 9 and IFRS 15 using the modified retrospective approach when adopting the new standards endorsed by the FSC effective from 2018. The significant effects of adopting the new standards as of January 1, 2018 are summarized as below:

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Affected Items of Parent Company only Balance Sheet	2017 version IFRS amount	Effect of adoption of new standards	2018 version IFRS amount	Remark
January 1, 2018				
Financial assets at fair value through profit or loss, non-current	\$ -	\$ 4,135,207	\$ 4,135,207	A
Available-for-sale financial assets, non-current	4,135,207	(4,135,207)	-	A
Contract assets, current	-	1,193,406	1,193,406	C(a)(b)
Accounts receivable, net	13,337,926	(454,124)	12,883,802	B, C (a)
Other receivables	558,220	(1,187)	557,033	B
Inventories	5,347,401	(623,614)	4,723,787	C(b)
Investments accounted for using equity method	15,922,709	17,787	15,940,496	F
Deferred income tax assets	597,086	1,251	598,337	E
Total affected assets	<u>\$ 39,898,549</u>	<u>\$ 133,519</u>	<u>\$ 40,032,068</u>	
Contract liabilities - current	\$ -	\$ 12,128	\$ 12,128	C(c)
Other current liabilities - other	411,828	(12,128)	399,700	C(c), D
Deferred income tax liabilities	-	20,713	20,713	E
Total affected liabilities	<u>411,828</u>	<u>20,713</u>	<u>432,541</u>	
Unappropriated earnings	10,698,848	2,668,276	13,367,124	A, B, C(b), E, F
Accumulated other comprehensive income	1,977,401	(2,555,470)	(578,069)	A
Total affected equity	<u>12,676,249</u>	<u>112,806</u>	<u>12,789,055</u>	
Total affected liabilities and equity	<u>\$ 13,088,077</u>	<u>\$ 133,519</u>	<u>\$ 13,221,596</u>	

Explanation:

- A. When adopting IFRS 9, the Company expects to reclassify available-for-sale financial assets of \$4,135,207 to financial assets at fair value through profit or loss and increase retained earnings and decrease accumulated other comprehensive income in the amounts of \$2,555,470 and \$2,555,470, respectively.
- B. In line with the regulations of IFRS 9 on provision for impairment, accounts receivable and other receivables will be reduced by \$6,171 and \$1,187, respectively, and retained earnings will be decreased by \$7,358.
- C. Presentation of contract assets and contract liabilities
- When adopting IFRS 15, the Company expects to change the presentation of certain accounts in the balance sheet as follows:
- (a) Under IFRS 15, the services which have been rendered but not yet billed will be recognized as contract assets, but were previously presented as part of accounts receivable in the balance sheet. As of January 1, 2018, the balance of contract asset is \$447,953.
- (b) Under IFRS 15, the services which have been processed before completion will be recognized as contract assets over time. As of January 1, 2018, the contract assets and retained earnings will be increased by \$745,453 and \$121,839, respectively, and inventory will be decreased by \$623,614.
- (c) Under IFRS 15, liabilities in relation to contracts are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance of contract liabilities will be \$12,128.

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- D. Under IFRS 15, current provisions (shown as other current liabilities - other) are reclassified as refund liabilities (shown as other current liabilities - other), but were previously presented as current provisions in the balance sheet. As of January 1, 2018, the balance is \$244,138.
- E. Recognition of deferred income tax assets and liabilities
When initially adopting IFRS 9 and IFRS 15, the Company will recognize deferred income tax assets and liabilities for the temporary differences resulted from the adjustments. Accordingly, deferred income tax assets will be increased by \$1,251 and deferred income tax liabilities will be decreased by \$20,713 and retained earning will be decreased by \$19,462, respectively, on January 1, 2018.
- F. The Company's equity investee also complies with the Company's policies and assesses the potential impact on the adoption of IFRS 9 and IFRS 15. The significant differences identified on the adoption of new standards include impairment losses of receivables and the adjustment of the contract assets. As of January 1, 2018, the investments accounted for using equity method and retained earnings will both increased by \$17,787.

(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 2018. As of the date the parent company only financial statements were authorized for issue, except for IFRS 16 will be effective on January 1, 2019, the FSC has not announced the effective dates for other new standards.

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
IFRIC 23, "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 cycle	January 1, 2019
Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"	January 1, 2019
IFRS 17, "Insurance Contracts"	January 1, 2021

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

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

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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 becomes 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 accompanying parent company only financial statements are prepared in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of Financial Statements Preparation

The parent company only 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 the parent company only 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 parent company only financial statements are disclosed in Note 5.

(3) Foreign Currency Translation

- A. 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.
- B. 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.
- C. Translation differences from the Company and its subsidiaries 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.

(4) 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

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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.

(5) 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.

(6) 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.

(7) Inventories

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

(8) Non-current Assets Held for Sale

- A. 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.
- B. 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.

(9) Financial Assets

- A. Classification

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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 Company'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 Company 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 Company 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 Company 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 investments' and 'impairment losses', respectively.

(10) Impairment of Financial Assets

A. Loans and Receivables

(a) The Company 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.

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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 Company, such as:
 - Deterioration of debtor's repayment condition
 - Changes in national or local economic conditions that correlate with defaults on the assets in the Company

- (b) The Company 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 Company 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 parent company only 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 parent company only 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 Company 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 parent company only statements of comprehensive income on equity instruments are not reversed through profit or loss.

(11) Investments Accounted for Using the Equity Method

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

- A. Subsidiaries** are all entities (including special purpose entities) over which the Company has the power to

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govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company evaluates its investment in subsidiaries in parent company only financial statements using the equity method. Unrealized intercompany profit or loss between the Company and its subsidiaries is eliminated. Subsidiaries' accounting policies are consistent with the policies adopted by the Company.

- B. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- C. Associates are all entities over which the Company has significant influence or 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 Company 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 Company's share of the net fair value of the identifiable assets over the acquisition cost is recognized in profit or loss.
- D. The Company's share of post-acquisition profit or loss in associates is recognized under non-operating income and expenses in the parent company only 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 Company's share of losses in an associate equals to or exceeds its interest in the associate, including any other unsecured receivables, the Company 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 Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital reserve' and 'retained earnings' in proportion to its ownership.
- E. Profits and losses resulting from the transactions between the Company and its associates are recognized in the Company'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 Company. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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. However, if the balance in capital reserve is insufficient, the Company shall be recognized as reduction of retained earnings. In addition to the above adjustment, when the above condition causes a decrease in the Company's ownership percentage of the associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately.
- F. When the Company 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 Company still retains

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significant influence over the associate, then the aforementioned other comprehensive income and capital surplus are reclassified to profit or loss proportionately.

- G. According to the Rules Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.
- H. The Company assesses its subsidiaries, associates for signs of impairment every quarter. If there is any, the Company would calculate the recoverable amount and recognize impairment loss.

(12) 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 Company and the item cost can be measured reliably. Day-to-day servicing costs and repairment expenditures are recognized as expenses as incurred.
- B. The Company 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:

<u>Property, plant and equipment</u>	<u>Estimated useful lives</u>
Main buildings	20 - 55 years
Construction and improvements	3 - 15 years
Machinery and equipment	5 - 6 years
Other equipment	2 - 6 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.

(13) 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 using stright-line method whereas license fees are amortized over their economic lives or the contract years using straight-line method or based on portions of sales. Subsequent measurements are measured using costs less accumulated amortization.

(14) Impairment of Non-financial Assets

- A. 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

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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.

- B. 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.

(15) 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.

(16) Derecognition of financial liabilities

- A. The Company derecognizes a financial liability from its balance sheet when the obligation specified in the contract is discharged, cancelled or expired.
- B. The Company derecognizes an original financial liability and recognizes 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 derecognized and the consideration paid is recognized in profit or loss.

(17) 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 Company measures fair value fluctuation in current profit or loss.

(18) 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

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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.

(19) 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.

(20) Current and Deferred Income Tax

- A. Tax expense for the period comprises current and deferred income 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 parent company only financial statements. However, deferred income 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

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

(21) Employee Benefits

A. Pensions

- (a) For defined contribution plans, the Company pays contributions over employees' service years and recognizes employee benefit expenses when they are due. The Company 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 Company recognizes related expenses and liabilities when the Company 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.

(22) 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 Company. 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

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reliability. Contingent liabilities are not recognized on the balance sheet.

(23) Revenue Recognition

The Company provides assembly, testing, and turnkey services for integrated circuits. The Company 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 Company include wafer bumping, wafer sort, IC packaging and final testing. Actual services and fees of the Company may vary by customers and are pre-agreed before provision of services. The Company 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.

(24) 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 continually 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 Company applies its 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 Company maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. For sensitivity analyzes, please refer to Note 12 (3).

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

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	As of December 31,	
	2017	2016
Cash on hand and petty cash	\$ 1,012	\$ 969
Savings accounts and checking accounts	2,896,703	1,198,183
Time deposits	18,186,272	19,726,898
	<u>\$ 21,083,987</u>	<u>\$ 20,926,050</u>

(2) Accounts Receivable, Net

	As of December 31,	
	2017	2016
Accounts receivable	\$ 13,349,859	\$ 14,636,677
Less: Allowance for sales discounts	-	(3,006)
Allowance for doubtful accounts	(11,933)	(1,695)
	<u>\$ 13,337,926</u>	<u>\$ 14,631,976</u>

The Company 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 Company's allowance for doubtful accounts are as follows:

	2017	2016
Balance as of January 1,	\$ 1,695	\$ 1,695
Allowance for doubtful accounts	11,911	-
Write-offs	(1,673)	-
Balance as of December 31,	<u>\$ 11,933</u>	<u>\$ 1,695</u>

The above movement of allowance for doubtful accounts is based on individual provision.

(3) Inventories

	As of December 31,	
	2017	2016
Raw materials and supplies	\$ 4,723,787	\$ 5,278,567
Work in process	623,614	547,922
	<u>\$ 5,347,401</u>	<u>\$ 5,826,489</u>

	For the years ended December 31,	
	2017	2016
Expense / loss incurred related to inventories:		
Cost of goods sold	\$ 58,111,619	\$ 57,656,811
Decline in market value and loss on obsolescence	57,059	39,306
Others	5,400	(17,467)
	<u>\$ 58,174,078</u>	<u>\$ 57,678,650</u>

(4) Non-current Assets Held for Sale

	As of December 31,	
	2017	2016
Plant held for sale	<u>\$ -</u>	<u>\$ 387,503</u>

On November 3, 2016, the Board of Directors of the Company resolved to sale the plant and its affiliated

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equipment of Hsinchu facility phase II (No. 15/17, Park Ave. 2, Science-Based Industrial Park, Hsinchu). On December 16, 2016, the Company entered into an agreement to sell the plant to a non-related party. The transfer was completed in March 2017 with a total consideration of \$412,000 and the amount has been collected in full. The Company recognized disposal gains of \$19,402 on non-current assets held for sale in the first quarter of 2017.

(5) Available-for-sale Financial Assets

		As of December 31,	
		2017	2016
Current Item:			
Fund	\$	-	\$ 178,176
Non-current Items:			
Common Stock	\$	4,135,207	\$ 3,087,019
Depository Shares		-	528,639
	\$	4,135,207	\$ 3,615,658

- A. The Company disposed common stock of available-for-sale financial assets and recognized gains on disposal of \$10,256, \$206,943 in the first and the third quarter of 2016, respectively. The foreign fund was matured in the first quarter of 2017 and the Company recognized gains on disposal of \$53,053.
- B. On October 20, 2016, the Board of Directors of ChipMOS Technologies Inc., have approved October 31, 2016 as the merger date with ChipMOS Technologies (Bermuda) Ltd., with ChipMOS Technologies Inc., be the surviving company. Under the agreement, the shareholders of ChipMOS Technologies (Bermuda) Ltd. will receive US\$3.71 dollars of cash and 0.9355 unit of American Depository Shares ("ADS") in exchange for each share in ChipMOS Technologies (Bermuda) Ltd. Each ADS represents 20 new common shares to be issued by ChipMOS Technologies Inc. The Company regarded the merger as business reorganization in substance and only recognized the premium from the merger of \$51,923 as other income. The Company converted all ChipMOS ADSs held by the Company into Common Stock of ChipMOS Technologies Inc. in the second quarter of 2017.

(6) Investments accounted for using equity method

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

		As of December 31,	
		2017	2016
Subsidiaries	\$	15,922,709	\$ 13,242,935
Associates		-	18,019
	\$	15,922,709	\$ 13,260,954

A. Investments in Subsidiaries

	Carrying Amount		Percentage of ownership	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
SPIL (B.V.I.) Holding Limited	\$ 12,989,776	\$ 10,859,311	100.00%	100.00%
Siliconware Investment Co., Ltd.	2,932,933	2,383,624	100.00%	100.00%
	\$ 15,922,709	\$ 13,242,935		

Please see Note 4(3) of the consolidated financial statements as of December 31, 2017 for information about the Company and its subsidiaries.

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B. Investments in Associates

Associates	Nation of Registration	Carrying Amount		Percentage of ownership interest	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Individually immaterial :					
ASM Advanced Packaging Materials Pte. Ltd. (AAPM)	Singapore	\$ -	\$ 18,019	-	39.00%

- (a) In order to develop new generation substrates and increase substrate supply sources, the Company acquired the shares in AAPM. However, due to the continued losses of AAPM, the carrying amount of investment on AAPM has been written down to \$0 as of March 31, 2017.

Since the Company did not subscribe on AAPM's new shares issued in May 2017, the Company's percentage of ownership on AAPM has been reduced from 39% to 13.7%. In addition, because the Company has no longer served as AAPM's board of director, the Company lost significant influence over AAPM. Due to AAPM's fair value cannot be reliably measured by the Company and there is no quoted price in an active market, the Company reclassified the investment on AAPM to financial assets carried at cost, noncurrent and recognized a disposal loss of \$1,464 in the second quarter of 2017.

- (b) Aggregate information of associates that are not individually material was summarized as follows:

	For the years ended December 31,	
	2017	2016
Net loss	(\$ 17,374)	(\$ 102,338)
Other comprehensive loss	(536)	(1,985)
Total comprehensive loss	(\$ 17,910)	(\$ 104,323)

(7) Financial Instruments by Category

	As of December 31,	
	2017	2016
Financial Assets		
Loans and receivables		
Cash and cash equivalents	\$ 21,083,987	\$ 20,926,050
Notes receivable	8,364	7,645
Accounts receivable	13,337,926	14,631,976
Other receivables	558,220	591,061
Time deposit pledged as collateral (shown as other current assets - other)	392,100	357,400
Refundable deposit (shown as other non-current assets - other)	637,748	413,918
Available-for-sale financial assets, current	-	178,176
Available-for-sale financial assets, non-current	4,135,207	3,615,658
	<u>\$ 40,153,552</u>	<u>\$ 40,721,884</u>
Financial Liabilities		
Financial liabilities at amortised cost		
Accounts payable	\$ 6,093,257	\$ 7,020,170
Other payables	8,590,309	10,734,777
Receipts under custody (shown as other current liabilities - other)	74,149	76,231
Deposit received		
(shown as other current liabilities - other and other non-current liabilities)	59,271	30,628
Convertible bonds (including the current portion)	12,015,229	12,712,651
Long-term loans (including the current portion)	15,840,000	18,340,747
Long-term payable (shown as other non-current liabilities)	-	58,140
Financial liabilities at fair value through profit or loss	809,640	773,908
	<u>\$ 43,481,855</u>	<u>\$ 49,747,252</u>

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(8) Property, Plant and Equipment

A. Carrying amount by category:

	As of December 31,	
	2017	2016
Land	\$ 2,903,192	\$ 2,903,192
Buildings	17,968,194	18,123,537
Machinery and equipment	24,965,703	27,923,988
Other equipment	3,770,330	4,045,419
Construction in progress and equipment awaiting for inspection	1,747,169	3,758,361
	<u>\$ 51,354,588</u>	<u>\$ 56,754,497</u>

B. Movement from period beginning to period end:

(a) From January 1, 2017 to December 31, 2017

i. Cost

	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
Land	\$ 2,903,192	\$ -	\$ -	\$ -	\$ 2,903,192
Buildings	29,977,028	647,646	-	904,267	31,528,941
Machinery and equipment	64,281,837	4,453,887	(3,000,094)	2,361,406	68,097,036
Other equipment	8,158,299	814,090	(444,688)	393,159	8,920,860
Construction in progress and equipment awaiting for inspection	3,758,361	1,647,640	-	(3,658,832)	1,747,169
	<u>\$ 109,078,717</u>	<u>\$ 7,563,263</u>	<u>(\$ 3,444,782)</u>	<u>\$ -</u>	<u>\$ 113,197,198</u>

ii. Accumulated depreciation and impairment

	Balance at January 1	Depreciation expense	Impairment losses	Disposals	Transfers	Balance at December 31
Buildings	\$ 11,853,491	\$ 1,707,256	\$ -	\$ -	\$ -	\$ 13,560,747
Machinery and equipment	36,357,849	9,660,015	64,890	(2,943,243)	(8,178)	43,131,333
Other equipment	4,112,880	1,437,287	9,021	(416,836)	8,178	5,150,530
	<u>\$ 52,324,220</u>	<u>\$ 12,804,558</u>	<u>\$ 73,911</u>	<u>(\$ 3,360,079)</u>	<u>\$ -</u>	<u>\$ 61,842,610</u>

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

i. Cost

	Balance at January 1	Additions	Disposals	Transfers	Balance at December 31
Land	\$ 2,903,192	\$ -	\$ -	\$ -	\$ 2,903,192
Buildings	28,221,569	1,411,799	(83,778)	427,438	29,977,028
Machinery and equipment	63,786,790	6,220,284	(7,149,908)	1,424,671	64,281,837
Other equipment	7,486,498	1,045,107	(698,006)	324,700	8,158,299
Construction in progress and equipment awaiting for inspection	3,094,241	3,512,005	(420)	(2,847,465)	3,758,361
	<u>\$ 105,492,290</u>	<u>\$ 12,189,195</u>	<u>(\$ 7,932,112)</u>	<u>(\$ 670,656)</u>	<u>\$ 109,078,717</u>

ii. Accumulated depreciation and impairment

	Balance at January 1	Depreciation expense	Impairment losses	Disposals	Transfers	Balance at December 31
Buildings	\$ 10,626,250	\$ 1,589,589	\$ -	(\$ 83,778)	(\$ 278,570)	\$ 11,853,491
Machinery and equipment	34,584,235	8,841,799	50,610	(7,122,202)	3,407	36,357,849
Other equipment	3,557,825	1,202,584	16,546	(654,625)	(9,450)	4,112,880
	<u>\$ 48,768,310</u>	<u>\$ 11,633,972</u>	<u>\$ 67,156</u>	<u>(\$ 7,860,605)</u>	<u>(\$ 284,613)</u>	<u>\$ 52,324,220</u>

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C. There is no interest capitalized for the years ended December 31, 2017 and 2016.

D. For idle equipment, the Company adopted fair value less cost to sell method to measure their recoverable amount and recognized impairment loss of \$73,911 and \$67,156 for the years ended December 31, 2017 and 2016, respectively. The recoverable amount of major impaired property, plant and equipment is determined based on the recent quoted prices of assets with similar age and obsolescence that provided by the vendors in secondary market. The recent quoted prices of assets are a level 2 input in terms of IFRS 13 because the secondary market is not very active.

E. In 2016, 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, respectively.

(9) Intangible Assets

A. Carrying amount by category:

	As of December 31,	
	2017	2016
License Fee	\$ 18,443	\$ 31,460
Software	86,862	130,659
	<u>\$ 105,305</u>	<u>\$ 162,119</u>

B. Movement from period beginning to period end:

(a) From January 1, 2017 to December 31, 2017

i. Cost

	Balance at January 1	Additions	Disposals	Balance at December 31
License Fee	\$ 107,894	\$ -	(\$ 75,094)	\$ 32,800
Software	217,386	26,811	(23,689)	220,508
	<u>\$ 325,280</u>	<u>\$ 26,811</u>	<u>(\$ 98,783)</u>	<u>\$ 253,308</u>

ii. Accumulated amortization

	Balance at January 1	Amortization expnse	Disposals	Balance at December 31
License Fee	\$ 76,434	\$ 13,017	(\$ 75,094)	\$ 14,357
Software	86,727	70,608	(23,689)	133,646
	<u>\$ 163,161</u>	<u>\$ 83,625</u>	<u>(\$ 98,783)</u>	<u>\$ 148,003</u>

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

i. Cost

	Balance at January 1	Additions	Disposals	Balance at December 31
License Fee	\$ 112,248	\$ -	(\$ 4,354)	\$ 107,894
Software	180,670	69,036	(32,320)	217,386
	<u>\$ 292,918</u>	<u>\$ 69,036</u>	<u>(\$ 36,674)</u>	<u>\$ 325,280</u>

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ii. Accumulated amortization

	Balance at January 1	Amortization expnse	Disposals	Balance at December 31
License Fee	\$ 58,679	\$ 22,109	(\$ 4,354)	\$ 76,434
Software	56,527	62,520	(32,320)	86,727
	<u>\$ 115,206</u>	<u>\$ 84,629</u>	<u>(\$ 36,674)</u>	<u>\$ 163,161</u>

For the years ended December 31, 2017 and 2016, amortization of \$25,592 and \$24,051 are included in “operating cost”, respectively, and amortization of \$58,033 and \$60,578 are included in “operating expense”, respectively.

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

As of December 31, 2017 and 2016, the detail of financial liabilities at fair value through profit or loss is as follows:

	As of December 31,	
	2017	2016
Conversion option, redemption option and put option of convertible bonds upon initial recognition	\$ 774,319	\$ 774,319
Valuation adjustments	35,321	(411)
	<u>\$ 809,640</u>	<u>\$ 773,908</u>

For the years ended December 31, 2017 and 2016, the Company recognized net losses of \$35,732 and net gains of \$1,025,012 on financial liabilities at fair value through profit or loss, respectively.

(11) Other Payables

	As of December 31,	
	2017	2016
Payables for equipment	\$ 1,568,409	\$ 3,051,027
Payables for employees' compensations	3,208,911	3,684,050
Others	3,812,989	3,999,700
	<u>\$ 8,590,309</u>	<u>\$ 10,734,777</u>

(12) Convertible Bonds

As of December 31, 2017 and 2016, the detail of convertible bonds is as follows:

	As of December 31,	
	2017	2016
Unsecured overseas convertible bonds	\$ 12,533,316	\$ 13,580,212
Less: Discounts on bonds payable	(518,087)	(867,561)
Less: Current portion	-	(12,712,651)
	<u>\$ 12,015,229</u>	<u>\$ -</u>

A. 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 and with par value of US\$250 thousand or in any integral multiples thereof.

Key terms and conditions of the Bonds 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

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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 will be adjusted in accordance with the conversion provisions due to anti-dilution clause. The conversion price was adjusted to \$44.1443 dollars as of December 31, 2017.

- (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.

B. For the years ended December 31, 2017 and 2016, the interest expenses on corporate bonds payable were \$ 289,671 and \$ 306,423, respectively.

(13) Long-term Loans

Loan period and repayment method	As of December 31,	
	2017	2016
Syndicated bank loans		
2012.8.10-2017.8.10		
Repayables in 6 semi-annually	\$	- \$
installments starting from February 2015 (Note)		2,162,333
Other bank loans		
2013.12.31-2016.12.31 /Extended to 2019.12.30, and increased by		
\$1,000,000 on 2017.01.19	2,500,000	1,500,000
Repayables in 3 semi-annually installments starting from December 28, 2018		
2014.8.11-2018.12.13 /Repayables in 5 semi-annually		
installments starting from December 13, 2016	340,000	680,000
2014.8.11-2018.12.10 /Repayables in 6 semi-annually		
installments starting from June 13, 2016	500,000	1,000,000

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Loan period and repayment method	As of December 31,	
	2017	2016
2014.8.11-2019.8.11 /Repayables in 6 semi-annually installments starting from February 10, 2017	1,000,000	1,500,000
2015.7.1-2020.7.1 /Repayables in 6 semi-annually installments starting from January 2, 2018	1,500,000	1,500,000
2015.11.13-2020.11.13 /Repayables in 6 semi-annually installments starting from May 11, 2018	1,000,000	1,000,000
2016.7.19-2021.1.10 /Repayables in 6 semi-annually installments starting from July 10, 2018	3,000,000	3,000,000
2016.7.19-2021.7.19 /Repayables in 6 semi-annually installments starting from January 18, 2019	4,000,000	4,000,000
2016.12.30-2021.12.30 /Repayables in 6 semi-annually installments starting from June 28, 2019	2,000,000	2,000,000
Less:		
Arrangement fee of syndicated loans	-	(1,586)
Current portion	(3,173,333)	(3,500,747)
	<u>\$ 12,666,667</u>	<u>\$ 14,840,000</u>
Interest rate	<u>1.1358%-2.3890%</u>	<u>1.1287%-2.3890%</u>

Note: Including US\$0 and US\$33,333 thousand demoninated in US dollars as of December 31, 2017 and 2016, respectively.

- A. 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.
- B. Pursuant to the loan agreement, the Company should maintain, on a semi-annual and annual consolidated basis, certain debt covenants, such as current ratio, liability ratio as well as the ratio of interest coverage. As of December 31, 2017, 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.

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The Company established pension plans for executive officers and recognized \$596 and \$63,007 net of pension costs (shown as net defined benefit obligations) for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the net defined benefit obligations of executive officers were \$62,222 and \$64,929, respectively.

- 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,	
	2017	2016
Present value of defined benefit obligations	\$ 2,513,060	\$ 2,550,824
Fair value of plan assets	(1,159,337)	(1,177,592)
Net defined benefit liability	<u>\$ 1,353,723</u>	<u>\$ 1,373,232</u>

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

- (a) For the year ended December 31, 2017

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	\$ 2,550,824	(\$ 1,177,592)	\$ 1,373,232
Current service cost	17,171	-	17,171
Interest expense (income)	37,817	(17,601)	20,216
Recognized in profit or loss	<u>54,988</u>	<u>(17,601)</u>	<u>37,387</u>
Remeasurements:			
Experience adjustments	(13,625)	-	(13,625)
Return of plan assets (excluding amounts included in net interest expense)	-	6,281	6,281
Recognized in other comprehensive income	<u>(13,625)</u>	<u>6,281</u>	<u>(7,344)</u>
Pension fund contribution	-	(49,552)	(49,552)
Paid Pension	(79,127)	79,127	-
Balance at December 31	<u>\$ 2,513,060</u>	<u>(\$ 1,159,337)</u>	<u>\$ 1,353,723</u>

- (b) For the year ended December 31, 2016

	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	<u>60,606</u>	<u>(20,754)</u>	<u>39,852</u>
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	<u>169,587</u>	<u>6,297</u>	<u>175,884</u>
Pension fund contribution	-	(49,814)	(49,814)
Paid Pension	(71,650)	71,650	-
Balance at December 31	<u>\$ 2,550,824</u>	<u>(\$ 1,177,592)</u>	<u>\$ 1,373,232</u>

- D. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries'

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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, 2017 and 2016 is as follows:

	December 31,	
	2017	2016
Cash	\$ 270,473	\$ 268,962
Equity instruments	574,452	580,435
Debt instruments	314,412	328,195
	<u>\$ 1,159,337</u>	<u>\$ 1,177,592</u>

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

	December 31,	
	2017	2016
Discount rate	<u>1.50%</u>	<u>1.50%</u>
Future salary increase rate	<u>2.25%</u>	<u>2.25%</u>

F. For the years ended December 31, 2017 and 2016, 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 obligations is as follows:

	<u>Impact on defined benefit obligations</u>	
	<u>0.5% increase in assumption</u>	<u>0.5% decrease in assumption</u>
<u>December 31, 2017</u>		
Discount rate	<u>(\$ 139,783)</u>	<u>\$ 151,499</u>
Future salary increase rate	<u>\$ 149,644</u>	<u>(\$ 139,499)</u>

	<u>Impact on defined benefit obligations</u>	
	<u>0.5% increase in assumption</u>	<u>0.5% decrease in assumption</u>
<u>December 31, 2016</u>		
Discount rate	<u>(\$ 150,030)</u>	<u>\$ 163,143</u>
Future salary increase rate	<u>\$ 161,138</u>	<u>(\$ 149,723)</u>

The above sensitivity analyzes 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 obligations to significant actuarial assumptions, the same method has been applied as when calculating the net defined benefit liability recognized in the balance sheet.

G. The Company expects to pay \$50,667 as contribution to the pension plan in 2018.

H. As of December 31, 2017, the weighted average duration of that retirement plan is 11.6 years. Expected maturity analysis of undiscounted defined benefit obligations was as follows:

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Within 1 year	\$	65,895
1-2 year(s)		73,658
2-3 years		87,648
Over 3 years		<u>2,876,889</u>
	\$	<u>3,104,090</u>

- 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 with 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. The Company recognized \$543,646 and \$542,563 net of pension costs related to the defined contribution pension plan for the years ended December 31, 2017 and 2016, respectively.

(15) Capital Stock

- A. As of December 31, 2017 and 2016, 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. 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, 2017 and 2016, the outstanding ADSs amounted to 35,557,636 units and 37,783,392 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.

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	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	Others	Total
At January 1, 2017	\$ 12,438,632	\$ 186,351	\$ 16,940	\$ 74	\$ 12,641,997
Overdue dividend unclaimed by Shareholders	-	-	-	618	618
At December 31, 2017	<u>\$ 12,438,632</u>	<u>\$ 186,351</u>	<u>\$ 16,940</u>	<u>\$ 692</u>	<u>\$ 12,642,615</u>
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	<u>\$ 12,438,632</u>	<u>\$ 186,351</u>	<u>\$ 16,940</u>	<u>\$ 74</u>	<u>\$ 12,641,997</u>

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 resolved in the Board of Director's meeting that July 1, 2016 as 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% 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, which shall be approved at a 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. 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.
- D. 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.
- E. 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, 2017 and 2016, the undistributed earnings derived on or after the implementation of the imputation tax system were \$10,698,848 and \$10,252,276, respectively.
- F. As of December 31, 2017 and 2016, the balances of stockholders' imputation tax credit account of the Company were \$873,827 and \$482,903, respectively. The rate of shareholders' imputation tax credit to

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undistributed earnings for the 2016 earnings distribution was 10.50%. Effective from 2018, the Integrated Income Tax System will be cancelled under the amendment of Income Tax Law announced by the President in February 2018. Therefore, the Company does not need to calculate the rate of shareholders' imputation tax credit to undistributed earnings for the earnings distribution as of December 31, 2017.

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.

G. The appropriations of 2016 and 2015 earnings have been approved at the Shareholders' meeting on June 28, 2017 and May 16, 2016, respectively. The appropriations and dividends per share were as follows:

	For the Years Ended December 31,			
	2016		2015	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Provision of legal reserve	\$ 993,316		\$ 876,226	
Cash dividends	5,453,632	\$ 1.75	8,725,811	\$ 2.80

The Company's Board of Directors resolved August 8, 2017 as the ex-dividend date for the distribution of 2016 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").

H. As of February 23, 2018, the Board of Directors has not approved the earnings distribution for 2017.

(18) Other Equity Items

	Unrealized Gain/Loss on Valuation of Available-for- sale Financial Assets	Exchange Difference on Translation of Foreign Financial Statements	Remeasurement of Post-Employment Benefit
As of January 1, 2017	\$ 1,974,250	(\$ 415,305)	(\$ 273,510)
Share of other comprehensive income of associates accounted for using equity method			
- pretax	456,665	-	-
Changes in fair value of financial instruments			
- pretax	519,549	-	-
- tax	(21,493)	-	-
Recognition of changes in fair value of financial instruments in profit or loss			
- pretax	(54,374)	-	-
- tax	9,243	-	-
Differences in translation - equity method investments			
- pretax	-	(227,787)	-
- tax	-	111	-
Other comprehensive income/losses reclassified to profit or loss upon disposal of investments accounted for using equity method			
- pretax	-	1,464	-
- tax	-	(249)	-
Remeasurement of post-employment benefit obligations			
- pretax	-	-	10,647
- tax	-	-	(1,810)
As of December 31, 2017	\$ 2,883,840	(\$ 641,766)	(\$ 264,673)

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	Unrealized Gain/Loss on Valuation of Available-for- sale Financial Assets	Exchange Difference on Translation of Foreign Financial Statements	Remeasurement of Post-Employment Benefit
As of January 1, 2016	\$ 3,422,586	\$ 493,090	(\$ 125,931)
Share of other comprehensive income of associates accounted for using 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	-
Remeasurement of post-employment benefit obligations			
- pretax	-	-	(177,806)
- tax	-	-	30,227
As of December 31, 2016	<u>\$ 1,974,250</u>	<u>(\$ 415,305)</u>	<u>(\$ 273,510)</u>

(19) Expenses by Nature

	For the Years Ended December 31,	
	2017	2016
Employee benefit expenses		
Salaries and bonuses	\$ 13,303,506	\$ 14,105,247
Post employment benefits	581,629	645,422
Remuneration to directors	91,750	127,111
Others	2,317,851	2,053,000
	<u>\$ 16,294,736</u>	<u>\$ 16,930,780</u>
Depreciation and amortization expenses	<u>\$ 12,960,764</u>	<u>\$ 11,942,826</u>

- A. In accordance with the Company's Articles of Incorporation, 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 (bonus) 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.
- B. For the years ended December 31, 2017 and 2016, employee compensation (bonus) was accrued at 10% in the amounts of \$917,496 and \$1,271,115, respectively; directors' remuneration was accrued at 1% in the amounts of \$91,750 and \$127,111, respectively.
- C. The compensation to employees and the remuneration to directors for 2017 and 2016 distributed in cash resolved at the meetings of Board of Directors on February 23, 2018 and on February 23, 2017, respectively, were as follows:

	For the Years Ended December 31,	
	2017	2016
Compensation to employees	\$ 917,496	\$ 1,271,115
Remuneration to directors	91,750	127,111
	<u>\$ 1,009,246</u>	<u>\$ 1,398,226</u>

If there is a change in the proposed amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. The employee

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compensation and directors' remuneration of 2017 and 2016 were 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 Board of Directors is available at the Market Observation Post System website.

(20) Other Income

	For the years ended December 31,	
	2017	2016
Technical service fees	\$ 337,681	\$ 331,037
Dividend income	204,810	277,798
Interest income	122,415	100,950
Others	105,058	140,867
	<u>\$ 769,964</u>	<u>\$ 850,652</u>

(21) Other Gains or Losses

	For the years ended December 31,	
	2017	2016
Losses on damages and claims	(\$ 13,573)	(\$ 298,778)
Foreign exchange (loss) gain - net	(188,431)	115,224
Impairment losses on non-financial assets	(73,911)	(67,156)
Gains on disposal of property, plant and equipment	162,455	50,733
Gain on disposal of non-current assets held for sales	19,402	-
Others	(11,721)	38,095
	<u>(\$ 105,779)</u>	<u>(\$ 161,882)</u>

(22) Income Tax

A. Income taxes recognized in profit or loss for the years ended December 31, 2017 and 2016 are as follows:

	For the Years Ended December 31,	
	2017	2016
Current income tax expense		
Recognition for the current period	\$ 755,073	\$ 1,010,249
Provision of additional tax on undistributed earnings	353,490	-
Income tax adjustments for prior years	30,020	(597)
	<u>1,138,583</u>	<u>1,009,652</u>
Deferred income tax expense		
Temporary differences	126,971	370,106
Income tax expense recognized in profit or loss	<u>\$ 1,265,554</u>	<u>\$ 1,379,758</u>

B. Reconciliation between income tax expense and accounting profit:

	For the Years Ended December 31,	
	2017	2016
Income tax expense calculated at the statutory tax rate	\$ 1,388,172	\$ 1,923,196
(Deductible income) expense disallowed by tax regulation	(13,693)	113,435
Tax exempt income by tax regulation	(389,163)	(572,372)
Temporary difference not recognised as deferred income tax liabilities	(135,960)	(156,588)
Effect from Alternative Minimum Tax	32,688	72,684
Provision of additional tax on undistributed earnings	353,490	-
Prior year income tax under (over) estimate	30,020	(597)
Income tax expense recognized in profit or loss	<u>\$ 1,265,554</u>	<u>\$ 1,379,758</u>

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C. Income taxes recognized in other comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

	<u>For the Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Unrealized gain/loss on available-for-sale financial assets	(\$ 12,250)	\$ 153,707
Exchange difference on translation of foreign financial statements	(138)	406
Remeasurement of post-employment benefit obligations	(1,810)	30,227
	<u>(\$ 14,198)</u>	<u>\$ 184,340</u>

D. Changes in deferred income tax assets and liabilities for the years ended December 31, 2017 and 2016 are as follows:

<u>2017</u>				
	<u>January 1</u>	<u>Profit or Loss</u>	<u>Other Comprehensive Income</u>	<u>December 31</u>
Deferred income tax assets				
Post-employment benefit obligations	\$ 243,526	(\$ 12,559)	(\$ 1,810)	\$ 229,157
Compensated absences payable	67,126	2,801	-	69,927
Convertible bonds	232,582	(120,794)	-	111,788
Associates	36,278	3,202	(138)	39,342
Provisions	70,678	(29,175)	-	41,503
Unrealized losses on inventories	37,152	16,394	-	53,546
Others	79,869	(15,796)	(12,250)	51,823
	<u>767,211</u>	<u>(155,927)</u>	<u>(14,198)</u>	<u>597,086</u>
Deferred income tax liabilities	<u>(\$ 28,956)</u>	<u>\$ 28,956</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 738,255</u>	<u>(\$ 126,971)</u>	<u>(\$ 14,198)</u>	<u>\$ 597,086</u>
<u>2016</u>				
	<u>January 1</u>	<u>Profit or Loss</u>	<u>Other Comprehensive Income</u>	<u>December 31</u>
Deferred income tax assets				
Post-employment benefit obligations	\$ 193,689	\$ 19,610	\$ 30,227	\$ 243,526
Unrealized losses on financial liabilities	174,182	(174,182)	-	-
Compensated absences payable	76,008	(8,882)	-	67,126
Convertible bonds	220,754	11,828	-	232,582
Associates	18,474	17,398	406	36,278
Provisions	63,187	7,491	-	70,678
Unrealized losses on inventories	30,470	6,682	-	37,152
Others	147,257	(221,095)	153,707	79,869
	<u>924,021</u>	<u>(341,150)</u>	<u>184,340</u>	<u>767,211</u>
Deferred income tax liabilities	<u>\$ -</u>	<u>(\$ 28,956)</u>	<u>\$ -</u>	<u>(\$ 28,956)</u>
	<u>\$ 924,021</u>	<u>(\$ 370,106)</u>	<u>\$ 184,340</u>	<u>\$ 738,255</u>

E. The amounts of taxable temporary difference associated with investment in subsidiaries not recognized as deferred income tax liabilities are as follows:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>
Investment in foreign subsidiaries	<u>\$ 7,266,412</u>	<u>\$ 6,693,787</u>

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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 2015.

(23) Earnings Per Share (EPS)

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.

	For the year ended December 31, 2017		
	Income after tax	Weighted average outstanding common stock (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net income	\$ 6,900,165	3,116,361	\$ <u>2.21</u>
Dilutive effect of employee compensation	-	22,122	
Dilutive effect of convertible bonds	(549,203)	275,388	
Diluted earnings per share	\$ <u>6,350,962</u>	<u>3,413,871</u>	\$ <u>1.86</u>

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

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) Supplemental Cash Flow Information

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

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	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	\$ 7,563,263	\$ 12,189,195
(Decrease)/Increase in prepayment for equipment	(3,367)	4,864
Decrease in equipment payable, net	1,482,618	85,139
Cash payment for acquisition of property, plant and equipment	<u>\$ 9,042,514</u>	<u>\$ 12,279,198</u>

B. Non-cash investing activities:

- (1) As a result of the merger between ChipMOS Technologies Inc. and ChipMOS Technologies (Bermuda) Ltd., the shareholders of ChipMOS Technologies (Bermuda) Ltd. received US\$3.71 dollars in cash and 0.9355 shares of American Depositary 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
	<u>\$ -</u>

(25) Operating Lease

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. For the years ended December 31, 2017 and 2016, the Company recognized rental expense amounted to \$649,830 and \$534,632, respectively.

7. Related Party Transactions

Significant related party transactions are as follows:

(1) Related Party Name and Categories

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Siliconware USA, Inc.	Indirect subsidiary
Siliconware Technology (Suzhou) Limited	Indirect subsidiary
Yann Yuan Investment Co., Ltd.	Associate
Advanced Semiconductor Engineering, Inc.	Significant impact investor
ASE Electronics Inc.	Subsidiary of significant impact investor

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(2) Other Receivables

	As of December 31,	
	2017	2016
Siliconware Technology (Suzhou) Limited	<u>\$ 79,410</u>	<u>\$ 75,500</u>

The Company collected technology fees from Siliconware Technology (Suzhou) Limited in accordance with the contract.

(3) Commission Expense

	For the years ended December 31,	
	2017	2016
Siliconware USA, Inc.	<u>\$ 463,246</u>	<u>\$ 477,243</u>

The Company paid compensation, based on the agreement, to Siliconware USA, Inc. for communicating and maintaining customer relationships with those customers headquartered in the North America.

(4) Other Income

	For the years ended December 31,	
	2017	2016
Siliconware Technology (Suzhou) Limited	<u>\$ 337,681</u>	<u>\$ 331,037</u>

The Company collected technology fees from Siliconware Technology (Suzhou) Limited in accordance with the contract.

(5) Disposal of Financial Assets

For the year ended December 31, 2016					
Financial statement account	Shares/Units (In thousands)	Marketable securities type and name	Disposal of the amount	Gain on disposal	
Yann Yuan Investment Co., Ltd.	Available-for-sale financial assets, non-current	Hsieh Yong Capital Co., Ltd. (Stock)	<u>\$ 376,943</u>	<u>\$ 206,943</u>	
	57,810				

There is no such transaction in 2017.

(6) Property Transaction

For the year ended December 31, 2017					
Type of the property	Sales amount	Book value	property, plant and equipment	Other receivables	
Siliconware Technology (Suzhou) Limited	Equipment	<u>\$ 39,430</u>	<u>\$ 33,216</u>	<u>\$ 6,214</u>	<u>\$ 30,917</u>
Type of the property	Purchase amount	Other payables			
Siliconware Technology (Suzhou) Limited	Equipment	<u>\$ 15,491</u>	<u>\$ 4,479</u>		

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For the year ended December 31, 2016					
	Type of the property	Sales amount	Book value	property, plant and equipment	Other receivables
Siliconware Technology (Suzhou) Limited	Equipment	\$ 39,969	\$ 16,580	\$ 23,389	\$ 2,225
	Type of the property	Purchase amount	Other payables		
Siliconware Technology (Suzhou) Limited	Equipment	\$ 76,707	\$ 32,562		

(7) The transactions between the Company and other related parties

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 agreed 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 dollars in cash for each of SPIL's common shares (after earning distribution in 2016, has been adjusted to NT\$51.2 dollars), with ASE and SPIL becoming wholly-owned subsidiaries of HoldCo.

The closing of the transaction will be subject to the necessary approvals by relevant domestic and foreign competent authorities. On November 16, 2016, the Taiwan Fair Committee has decided not to prohibit the merger transactions between the ASE and SPIL, and on May 16, 2017, the Company received an official confirmation letter from the US Federal Trade Commission (FTC) stating that the non-public investigation procedure has been closed. On November 24, 2017, the Anti-Monopoly Bureau under the Ministry of Commerce of the PRC ("MOFCOM") approved the proposed combination on the following four conditions, among others:

1. HoldCo should maintain the legal personality of ASE and SPIL as independent competitors for a period of 24 months ("Restriction Period").
2. During the Restriction Period, HoldCo will only exercise limited shareholder rights. Such limitation includes: other than the right to obtain dividend related and financial information from ASE and SPIL, HoldCo should temporarily cease to exercise its other shareholder's rights.
3. During the Restriction Period, ASE and SPIL each covenants to provide services to customers on a non-discriminatory basis, and set service price and related transactional terms according to AML, reasonable commercial consideration and normal business operation.
4. During the Restriction Period, ASE and SPIL each covenants to not limit the customers' choice of alternative suppliers of semiconductor packaging and testing businesses, and will cooperate with customers for requests related to switching such suppliers, under the circumstance that the customers obey the laws and regulations, and do not involves tort and breaking contracts.

All the conditions above are subject to further revisions in the official notice that may be published by MOFCOM from time to time. An extraordinary general meeting has been convened on February 12, 2018 and approved the HoldCo. to acquire all issued shares of both companies. The issued shares of the Company and ASE shall be delisted on the share exchange record date after all procedures of the Share Exchange Transaction

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are completed then the HoldCo.'s share shall be listed in Taiwan and United States Stock Market Exchange. The Company and ASE will maintain their respective existence, name and the independent operation and business model of their current and future business. The establishment of HoldCo. will be completed by the end of April 2018. This timeline, however, is subject to the review progress of competent authorities.

The long stop date of the Agreement (the "Long Stop Date"), which means the expiration of the Agreement, was set at 18 months after the execution date of the Agreement (i.e., December 31, 2017). On December 14, 2017, the Company and ASE entered into a Supplemental Agreement to Joint Share Exchange Agreement to amend the definition of Long Stop Date as October 31, 2018 or a later date otherwise agreed in writing by the Company and ASE.

(8) Key Management Compensation

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

	For the Years Ended December 31,	
	2017	2016
Short-term employee benefits	\$ 255,776	\$ 380,213
Post-employment benefits	1,663	63,948
	<u>\$ 257,439</u>	<u>\$ 444,161</u>

8. Assets Pledged as Collateral

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

Assets	As of December 31,		Subject of collateral
	2017	2016	
Time deposits (shown as other current assets - other)	<u>\$ 392,100</u>	<u>\$ 357,400</u>	Guarantees for customs duties and land from Science Park Administration

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(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 conduct the followings:

- 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

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others (except for an assumption of the entire business or assets from others in an aggregated transaction amount less than NT\$0.5 billion); or (c) any merger and acquisition without issuing HoldCo's shares, any sale of all or material assets or businesses of 100% owned subsidiaries, any disposal of interest in material assets or businesses of 100% owned subsidiaries, or exclusive licensing of all or material patents or technologies of 100% owned 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) Future minimum lease payments of the Company under the non-cancellable operating leases are as follows:

	<u>As of December 31, 2017</u>
Within 1 year	\$ 126,586
1-5 year(s)	259,902
Over 5 years	657,830
	<u>\$ 1,044,318</u>

10. Significant Disaster Loss

None.

11. Significant Event After the Reporting Period

- (1) The Company convened an extraordinary general meeting on February 12, 2018 to resolve the Joint Share Exchange Agreement, Supplemental Agreement to Joint Share Exchange Agreement and the transaction completed by the Joint Share Exchange Agreement with Advanced Semiconductor Engineering, Inc. On the same day, the Board of Directors resolved April 30, 2018 as the effective date of the Share Exchange Transactions and the delisting date of the Company's shares.
- (2) In order to participate in the prime period of growth for the mainland China semiconductor market, the Company forms a strategic alliance to expand the China market, and will use the proceeds of disposal on the investment of Taiwan headquarter. In November 2017 SPIL (Cayman) Holding Limited, a subsidiary of SPIL, entered into an agreement with Tsinghua Unigroup Ltd. to dispose 30% shares of Siliconware Technology (Suzhou) Ltd. to Tsinghua Unigroup Ltd. The transaction was completed in February 2018 with total transaction amount of \$4,675,542 (RMB 1,026,000 thousand). Since the Company did not cease the control over Siliconware Technology (Suzhou) Ltd., the above transaction was accounted as an equity transaction.
- (3) In February 2018, the Income Tax Law Amendment was released by President of the Republic of China and effective from 2018, the corporate income tax rate has been adjusted from 17% to 20% and the undistributed earnings rate has been adjusted from 10% to 5%. There is no significant impact on the parent company only financial statements of 2017.

12. Others

(1) Financial Risk Management

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

A. Market risk

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(a) Currency risk

The Company 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 Company implements the policy of natural hedging and monitors the foreign exchange rate fluctuation closely to manage the risk. The Company's exposure to foreign exchange risk is as follows:

As of December 31, 2017				
Sensitivity analysis				
(Foreign currencies: functional currencies)	Foreign Currencies in thousands	Exchange rates	Movement	Impact to profit and loss before tax (NT\$)
<u>Financial assets</u>				
<u>Monetary assets</u>				
United States Dollars : New Taiwan Dollars	\$ 588,521	29.710	1%	\$ 174,850
<u>Investments accounted for using equity method</u>				
United States Dollars : New Taiwan Dollars	436,484	29.760	N/A	N/A
<u>Financial Liabilities</u>				
<u>Monetary liabilities</u>				
United States Dollars : New Taiwan Dollars	550,842	29.810	1%	164,206
Japanese Yen : New Taiwan Dollars	2,912,882	0.2662	1%	7,754
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\$)
<u>Financial assets</u>				
<u>Monetary assets</u>				
United States Dollars : New Taiwan Dollars	\$ 800,272	32.200	1%	\$ 257,688
<u>Non-monetary assets</u>				
United States Dollars : New Taiwan Dollars	21,951	32.200	N/A	N/A
<u>Investments accounted for using equity method</u>				
United States Dollars : New Taiwan Dollars	337,282	32.250	N/A	N/A
<u>Financial Liabilities</u>				
<u>Monetary liabilities</u>				
United States Dollars : New Taiwan Dollars	596,659	32.300	1%	192,721
Japanese Yen : New Taiwan Dollars	3,838,753	0.2776	1%	10,656

Since there were varieties of foreign currency transactions within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. Total exchange loss/gain recognized including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016 amounted to loss of \$188,431 and gain of \$115,224, respectively.

(b) Price risk

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

ChipMOS Technologies Inc. is traded publicly in the market. ChipMOS Technologies Inc. is listed on

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Taiwan Stock Exchange. ADSs of ChipMOS Technologies Inc. is 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, 2017 and 2016, if the market price had increased/decreased by 10% with all other variables held constant, other comprehensive income would have increased/decreased by \$413,521 and \$352,579, respectively.

(c) Interest rate risk

The Company's interest rate risk arises from cash, interest bearing time deposits, and borrowings. Mostly, residual cash will be held as deposit. For the fixed rate of time deposits, the change of interest rate will have no impact on future cash flow. As of December 31, 2017 and 2016, the Company held financial assets with cash flow interest rate risk of \$0 and \$6,092, respectively, and financial liabilities with cash flow interest rate risk of \$15,840,000 and \$18,342,333, 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 years ended December 31, 2017 and 2016 would have decreased/increased by \$15,840 and \$18,336, respectively.

B. Credit risk

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

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

(b) For risks arising from accounts and notes receivable, the Company 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, 2017			
	Total	Impaired	Unimpaired
1-90 days	\$ 1,094,453	\$ -	\$ 1,094,453
91-180 days	14,381	10,238	4,143
Over 180 days	3,561	1,695	1,866
	<u>\$ 1,112,395</u>	<u>\$ 11,933</u>	<u>\$ 1,100,462</u>

As of December 31, 2016			
	Total	Impaired	Unimpaired
1-90 days	\$ 927,841	\$ -	\$ 927,841
91-180 days	54,780	-	54,780
Over 180 days	5,349	1,695	3,654
	<u>\$ 987,970</u>	<u>\$ 1,695</u>	<u>\$ 986,275</u>

Note: As of December 31, 2017 and 2016, no impairment loss incurred on accounts receivable that are not past due.

(d) As of December 31, 2017 and 2016, the Company's ten largest customers both accounted for 64% of accounts receivables. The Company considers the concentration of credit risk for the remaining accounts receivable is immaterial.

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C. Liquidity risk

The objective of liquidity risk management is to ensure the Company 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 financial department monitors the Company's cash requirements and forecasts its future cash flow.

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

As of December 31, 2017					
	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts Payable	\$ 6,093,257	\$ -	\$ -	\$ -	\$ 6,093,257
Other Payables	8,590,309	-	-	-	8,590,309
Other Current Liabilities - Others	133,212	-	-	-	133,212
Convertible Bonds	-	12,533,316	-	-	12,533,316
Long-term Loans (include the current portion)	3,363,170	6,462,779	3,889,463	2,513,314	16,228,726
Other Non-current Liabilities	-	-	208	-	208
	<u>\$ 18,179,948</u>	<u>\$ 18,996,095</u>	<u>\$ 3,889,671</u>	<u>\$ 2,513,314</u>	<u>\$ 43,579,028</u>

As of December 31, 2016					
	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Accounts Payable	\$ 7,020,170	\$ -	\$ -	\$ -	\$ 7,020,170
Other Payables	10,734,777	-	-	-	10,734,777
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	-	58,140	-	-	58,140
	<u>\$ 34,889,424</u>	<u>\$ 2,909,559</u>	<u>\$ 5,959,549</u>	<u>\$ 6,402,421</u>	<u>\$ 50,160,953</u>

(2) Capital Risk Management

The capital includes common share, capital reserve, legal reserve, and other equity items. The Company's objectives in managing capital are to maintain sufficient capital to expand production capacity and equipment, and ensure the Company 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 Company's short-term financial instruments including cash and cash equivalents, receivables, time deposits, 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 Company's non-current financial instruments including non-interest bearing refundable deposits, receipts under custody, 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 Company's credit rating. As

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of December 31, 2017 and 2016, the book value and the fair value of the convertible bonds (including the current portion) are as follows:

Balance sheet date	Carrying Amount	Fair Value (Level 3)
December 31, 2017	\$ 12,015,229	\$ 12,007,468
December 31, 2016	\$ 12,712,651	\$ 12,841,188

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 analyzes 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.

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

Recurring basis	As of December 31, 2017		
	Level 1	Level 2	Level 3
Available-for-sale financial assets	\$ 4,135,207	\$ -	\$ -
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ 809,640

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

As of December 31, 2017 and 2016, 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 years ended December 31, 2017 and 2016.

(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

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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, 2017 and 2016 is 9.72% and 26.83%, respectively.

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

	2017	2016
As of January 1	\$ 773,908	\$ 1,798,920
(Gain) losses recognized in profit or loss	<u>35,732</u>	<u>(1,025,012)</u>
As of December 31	<u>\$ 809,640</u>	<u>\$ 773,908</u>

The total gains or losses for the years ended December 31, 2017 and 2016 included a loss of \$35,732 and a gain of \$1,025,012, 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 \$1,172,129 and \$662,796 for the years ended December 31, 2017 and 2016, respectively. On the other hand, a 10% decrease in the value of the stock market price would increase income before tax by \$808,447 and \$549,100 for the years ended December 31, 2017 and 2016, 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 \$184,822 and \$258,400 for the years ended December 31, 2017 and 2016, respectively. A 5% decrease in the expected volatility of the value of derivative instrument would increase income before tax by \$106,124 and \$276,488 for the years ended December 31, 2017 and 2016, respectively.

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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, 2017								
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	156,046	\$4,135,207	18.23%	\$4,135,207	-
Siliconware Precision Industries Co., Ltd.	ASM Advanced Packaging Materials Pte. Ltd. (Stock)	-	Financial assets carried at cost, noncurrent	4,225	-	13.70%	-	-

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, 2017:

					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 (Note)
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I) Holding Limited	Investments accounted for using equity method	SPIL (B.V.I) Holding Limited	Subsidiary	128,400	\$ 10,859,311	51,000	\$ 1,541,395	-	\$ -	\$ -	\$ -	179,400	\$ 12,989,776
SPIL (B.V.I) Holding Limited	SPIL (Cayman) Holding Limited	Investments accounted for using equity method	SPIL (Cayman) Holding Limited	Subsidiary	130,200	10,718,106	51,000	1,541,395	-	-	-	-	181,200	12,841,084
SPIL (Cayman) Holding Limited	Siliconware Electronics (Fujian) Co., Limited	Investments accounted for using equity method	Siliconware Electronics (Fujian) Co., Limited	Subsidiary	-	-	45,000	1,358,200	-	-	-	-	45,000	1,344,589

Note : The ending balance included share of profits/losses of investees and other adjustment related to equity.

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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, 2017:

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Siliconware Electronics (Fujian) Co., Limited	Land Use Rights	September 2017	\$ 470,161	\$ 470,161	Jinjiang Municipal Bureau of Land and Resources in Fujian Province	-	-	-	-	\$ -	Bidding	For operating use	-

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, 2017: None

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, 2017: 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, 2017:

Company Name	Related Party	Nature of Relationships	Receivables from Related Parties Amount (Note)			Turnover rate of Accounts receivable	Overdue		Received in Subsequent Period	Allowance for Bad Debts
			Accounts receivable	Other receivables	Totals		Amount	Action taken		
Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirect owned Subsidiary	\$ 41	\$ 110,327	\$ 110,368	6.87	\$ -	Received in subsequent period	\$ 10,518	-

I. Transaction of derivative financial instruments:

For the year ended December 31, 2017: Please refer to Notes 6 (10) and (12).

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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, 2017 :

					Transaction			
					General ledger		Percentage of consolidated	
No.	Company name	Counterparty	Relationship		Account	Amount	Transaction terms	revenues or total assets
0	Siliconware Precision Industries Co., Ltd.	Siliconware USA, Inc.	Indirectly owned subsidiary		Commision	\$ 463,246	As specified in contract	0.55%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned	subsidiary	Other revenues	337,681	(Note)	0.40%
0	Siliconware Precision Industries Co., Ltd.	Siliconware Technology (Suzhou) Limited	Indirectly owned	subsidiary	Other receivables	110,327	(Note)	0.09%

Note : The purchase prices and payment terms provided by Siliconware Technology (Suzhou) Limited were determined in accordance with mutual agreement due to comparable transactions.

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(2) Related Information on Investee Companies

For the year ended December 31, 2017:

Investor	Name of Investee	Location	Main activities	Original investments		The Company / majority owned subsidiary owns			Current period		Notes
				Current period ending balance	Prior period ending balance	Shares (in thousands)	Ownership percentage	Book value	Net income (loss) of investee	Income (loss) recognized by the Company	
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I.) Holding Limited	British Virgin Islands	Investment activities	\$ 5,338,944	\$ 3,821,184	179,400	100.00%	\$ 12,989,776	\$ 799,768	\$ 799,768	1 and 4
Siliconware Precision Industries Co., Ltd.	Siliconware Investment Co., Ltd.	Taipei, Taiwan	Investment activities	2,401,000	2,401,000	58,431	100.00%	2,932,933	99,290	99,290	1
Siliconware Precision Industries Co., Ltd.	Vertical Circuits, Inc.	Scott Valley, CA, USA	Assembly service providing	148,800	148,800	15,710	30.68%	-	-	-	3 and 4
Siliconware Precision Industries Co., Ltd.	ASM Advanced Packaging Materials Pte. Ltd.	Singapore	Designing, manufacturing, and selling substrates.	Note 5	125,730	Note 5	Note 5	Note 5	Note 5	(17,374)	4 and 5
Siliconware Investment Co., Ltd.	Yann Yuan Investment Co., Ltd.	Taipei, Taiwan	Investment activities	2,400,000	2,400,000	48,000	32.21%	2,932,392	276,229	88,986	3
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc.	San Jose, CA, USA	Communications and relationship maintenance with companies headquartered in North America	37,200	37,200	1,250	100.00%	211,465	8,785	8,785	2 and 4
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Cayman Islands, British West India	Investment activities	5,392,512	3,874,752	181,200	100.00%	12,841,084	791,698	791,698	2 and 4

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

Note 2: The Company's indirectly owned subsidiary.

Note 3: The Company's associates which are accounted for using 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: Since May 2017, the Company's percentage of ownership on AAPM has been reduced to 13.7%, and the Company has no longer served as AAPM's board of director, the Company exercised no significant influence over AAPM. Therefore, AAPM was no longer accounted for using equity method and has been reclassified to financial assets carried at cost.

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(3) Information of investment in Mainland China:

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

For the year ended December 31, 2017

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2017	Remitted or (collected) during this period	Accumulated remittance as of December 31, 2017	Ownership held by the Company (Direct and indirect)	Current period income (loss) of the investee	Investment income (loss) recognized by the Company during the	Ending balance of investment	The investment income (loss) remitted back as of December 31, 2017
Siliconware Technology (Suzhou) Limited	Provision of assembly and testing service	\$ 4,749,012 (USD 159,577) (Note 1)	(Note 2)	\$ 3,868,800 (USD 130,000)	\$ -	\$ 3,868,800 (USD 130,000)	100%	\$ 1,028,003	\$ 1,031,209 (Notes 3 and 5)	\$ 11,492,739	\$ -
Siliconware Electronics (Fujian) Co., Limited	Provision of assembly and testing service	1,339,200 (USD 45,000)	(Note 2)	-	1,339,200 (USD 45,000)	1,339,200 (USD 45,000)	100%	(8,767)	(8,767) (Note 3)	1,344,589	\$ -
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								
\$ 5,208,000 (USD 175,000)	\$ 6,088,212 (USD 204,577)		(Note 6)								

Note 1: The capital includes new shares issued through capitalization of earnings in the amount of US\$29,577.

Note 2: The Company set up a subsidiary in the third country (SPIL (Cayman) Holding Limited) 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).

Note 6: 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.

14. Segment Information

Not applicable.