ADVANCED SEMICONDUCTOR ENGINEERING INC
Form 6-K
June 25, 2015

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

June 25, 2015

Commission File Number 001-16125

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

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

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

Form 20-F x Form 40-F o

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

____

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

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

____

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

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

Yes o No x

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

Signatures

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

Date: June 25, 2015	By:	/s/ Joseph Tung
	Name:	Joseph Tung
	Title:	Chief Financial Officer

Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements for the

Three Months Ended March 31, 2014 and 2015 and

Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders

Advanced Semiconductor Engineering, Inc.

We have reviewed the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. and its subsidiaries (collectively the "Group") as of March 31, 2014 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2014 and 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

As discussed in Note 3 to the consolidated financial statements, the Group has applied the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS, and Interpretations of IAS endorsed by the FSC from January 1, 2015. Therefore, the Group retrospectively applied the aforementioned standards and interpretations and adjusted the affected items in the consolidated financial statements of the preceding periods.

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

/s/ Deloitte & Touche

Taipei, Taiwan

The Republic of China

May 8, 2015

Notice to Readers

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

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ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	January 1, 2014 (Audited after Adjusted)	March 31, 2014 (Reviewed after Adjusted)	December 31, 2014 (Audited after Adjusted)	March 31, 2015 (Reviewed)	
	NT$	NT$	NT$	NT$	US$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Notes 4 and 6)	$45,026,371	$43,577,488	$51,694,410	$49,414,436	$1,581,768
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	2,764,269	3,366,614	4,988,843	4,530,291	145,016
Available-for-sale financial assets - current (Notes 4 and 8)	2,376,970	1,922,038	1,533,265	979,247	31,346
Trade receivables, net (Notes 4 and 10)	43,235,573	37,856,827	52,920,810	43,009,481	1,376,744
Other receivables (Note 4)	422,345	616,417	537,122	515,914	16,515
Current tax assets (Note 4)	150,596	187,271	65,312	95,998	3,073
Inventories (Notes 4, 5 and 11)	16,281,236	15,495,215	20,163,093	23,450,499	750,656
Inventories related to real estate business (Notes 4, 5, 12, 23 and 32)	18,589,255	20,773,954	23,986,478	24,154,597	773,194
Other financial assets - current (Notes 4 and 32)	278,375	300,331	638,592	653,430	20,916
Other current assets	3,051,492	3,046,023	3,427,265	2,802,354	89,704
	132,176,482	127,142,178	159,955,190	149,606,247	4,788,932
NON-CURRENT ASSETS					
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,140,329	1,133,960	941,105	885,778	28,354
Investments accounted for using the equity method (Notes 4 and 13)	1,216,201	1,474,698	1,492,441	1,589,231	50,872
Property, plant and equipment (Notes 4, 5, 14, 23, 32 and 33)	131,497,331	130,422,379	151,587,115	150,055,369	4,803,309
Goodwill (Notes 4, 5 and 15)	10,347,820	10,382,862	10,445,415	10,426,821	333,765
Other intangible assets (Notes 4, 5, 16 and 23)	1,605,824	1,563,584	1,467,871	1,487,676	47,621
Deferred tax assets (Notes 4 and 5)	3,783,265	3,987,269	4,506,972	4,612,250	147,639
	354,993	342,843	367,345	364,520	11,668

Other financial assets - non-current (Notes 4 and 32)					
Long-term prepayments for lease (Note 17)	4,072,281	2,489,578	2,585,964	2,519,823	80,660
Other non-current assets	637,163	896,884	635,350	941,817	30,148
	154,655,207	152,694,057	174,029,578	172,883,285	5,534,036
TOTAL	$286,831,689	$279,836,235	$333,984,768	$322,489,532	$10,322,968

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	January 1, 2014 (Audited after Adjusted)	March 31, 2014 (Reviewed after Adjusted)	December 31, 2014 (Audited after Adjusted)	March 31, 2015 (Reviewed)	
	NT$	NT$	NT$	NT$	US$
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings (Note 18)	$44,618,195	$33,853,530	$41,176,033	$36,660,840	$1,173,523
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	1,853,304	2,413,941	2,651,352	3,701,350	118,481
Derivative financial liabilities for hedging - current (Notes 4, 5 and 9)	3,310	515	—	—	—
Trade payables	28,988,976	25,471,468	35,411,281	31,705,893	1,014,913
Other payables (Note 20)	14,758,553	15,840,371	22,364,516	19,935,228	638,132
Current tax liabilities (Note 4)	3,000,869	3,282,799	4,150,036	4,552,116	145,714
Advance real estate receipts	19,248	30	480,325	863,767	27,649
Current portion of bonds payable (Notes 4 and 19)	731,438	741,695	—	—	—
Current portion of long-term borrowings (Notes 18 and 32)	5,276,206	5,032,977	2,831,007	1,147,234	36,723
Other current liabilities	1,585,177	1,540,356	2,134,917	2,190,160	70,108
Total current liabilities	100,835,276	88,177,682	111,199,467	100,756,588	3,225,243
NON-CURRENT LIABILITIES					
Bonds payable (Notes 4 and 19)	20,582,567	20,975,751	31,270,131	31,092,655	995,283
Long-term borrowings (Notes 18 and 32)	29,580,659	29,008,600	24,104,424	24,750,020	792,254
Deferred tax liabilities (Notes 4 and 5)	2,663,767	2,968,402	3,932,819	4,021,104	128,716
Long-term payables	894,150	548,460	—	—	—
Net defined benefit liabilities (Notes 3, 4 and 5)	4,545,960	4,613,314	4,382,530	4,413,761	141,286
Other non-current liabilities	651,171	617,384	657,392	807,333	25,843
Total non-current liabilities	58,918,274	58,731,911	64,347,296	65,084,873	2,083,382
Total liabilities	159,753,550	146,909,593	175,546,763	165,841,461	5,308,625
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)					
Share capital	78,180,258	78,337,123	78,715,179	79,187,950	2,534,826
Capital surplus	7,920,220	8,243,326	16,013,058	16,094,169	515,178

Retained earnings					
Legal reserve	8,720,971	8,720,971	10,289,878	10,289,878	329,382
Special reserve	3,663,930	3,663,930	3,353,938	3,353,938	107,360
Unappropriated earnings	26,521,201	29,970,876	38,737,422	43,206,623	1,383,054
Total retained earnings	38,906,102	42,355,777	52,381,238	56,850,439	1,819,796
Other equity	(102,616)	1,636,356	5,068,539	3,489,285	111,693
Treasury shares	(1,959,107)	(1,959,107)	(1,959,107)	(7,292,513)	(233,435)
Equity attributable to owners of the Company	122,944,857	128,613,475	150,218,907	148,329,330	4,748,058
NON-CONTROLLING INTERESTS (Notes 4 and 22)	4,133,282	4,313,167	8,219,098	8,318,741	266,285
Total equity	127,078,139	132,926,642	158,438,005	156,648,071	5,014,343
TOTAL	$286,831,689	$279,836,235	$333,984,768	$322,489,532	$10,322,968

(Concluded)

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

(With Deloitte & Touche review report dated May 8, 2015)

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ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2014	**2015**	
	(Reviewed after Adjusted)	**(Reviewed)**	
	NT$	**NT$**	**US$ (Note 4)**
OPERATING REVENUES (Note 4)	$54,699,586	$64,662,158	$2,069,851
OPERATING COSTS (Notes 11, 21 and 23)	44,340,340	52,348,743	1,675,696
GROSS PROFIT	10,359,246	12,313,415	394,155
OPERATING EXPENSES (Notes 21 and 23)			
Selling and marketing expenses	793,186	879,419	28,150
General and administrative expenses	2,189,342	2,594,411	83,048
Research and development expenses	2,292,045	2,547,317	81,540
Total operating expenses	5,274,573	6,021,147	192,738
PROFIT FROM OPERATIONS	5,084,673	6,292,268	201,417
NON-OPERATING INCOME AND EXPENSES			
Other income (Note 23)	116,713	178,708	5,720
Other losses (Note 23)	(240,489)	(385,776)	(12,349)
Finance costs (Note 23)	(598,359)	(582,388)	(18,642)
Share of the profit or loss of associates (Note 4)	(64,226)	3,804	122
Total non-operating income and expenses	(786,361)	(785,652)	(25,149)
PROFIT BEFORE INCOME TAX	4,298,312	5,506,616	176,268
INCOME TAX EXPENSE (Notes 4, 5 and 24)	730,013	856,180	27,406
NET PROFIT FOR THE PERIOD	3,568,299	4,650,436	148,862
OTHER COMPREHENSIVE INCOME (LOSS)			

Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	1,589,232	(1,715,519)	(54,914)
Unrealized gain (loss) on available-for-sale financial assets	58,173	(54,710)	(1,751)
Cash flow hedges	2,869	—	—

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ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2014 (Reviewed after Adjusted)	**2015 (Reviewed)**	
	NT$	**NT$**	**US$ (Note 4)**
Share of other comprehensive income of associates	$138,250	$92,987	$2,976
Other comprehensive income for the period, net of income tax	1,788,524	(1,677,242)	(53,689)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$5,356,823	$2,973,194	$95,173
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	$3,449,675	$4,469,201	$143,061
Non-controlling interests	118,624	181,235	5,801
	$3,568,299	$4,650,436	$148,862
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	$5,188,647	$2,889,947	$92,508
Non-controlling interests	168,176	83,247	2,665
	$5,356,823	$2,973,194	$95,173
EARNINGS PER SHARE (Note 25)			
Basic	$H.45	$H.58	$H.02
Diluted	$H.44	$H.56	$H.02

(Concluded)

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

(With Deloitte & Touche review report dated May 8, 2015)

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ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company							
								Other Equ Exchange Differenc on
	Share Capital			Retained Earnings				Translatin
	Shares					Unappropriated		Foreign
	(In Thousands)	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Earnings	Total	Operation
BALANCE AT JANUARY 1, 2014	7,787,827	$78,180,258	$7,908,870	$8,720,971	$3,663,930	$26,608,253	$38,993,154	$(525,521
Effect of retrospective application and retrospective adjustment	—	—	11,350	—	—	(87,052)	(87,052)	(62
BALANCE AT JANUARY 1, 2014 AS ADJUSTED	7,787,827	78,180,258	7,920,220	8,720,971	3,663,930	26,521,201	38,906,102	(525,583
Change in capital surplus from investments in associates accounted for by using equity	—	—	5,612	—	—	—	—	—
	—	—	—	—	—	3,449,675	3,449,675	—

Net profit for the three months ended March 31, 2014 (adjusted)								
Other comprehensive income for the three months ended March 31, 2014, net of income tax (adjusted)	—	—	—	—	—	—	—	1,541,25
Total comprehensive income for the three months ended March 31, 2014 (adjusted)	—	—	—	—	—	3,449,675	3,449,675	1,541,25
Issue of ordinary shares under employee share options	25,149	156,865	317,494	—	—	—	—	—
Additional non-controlling interest arising on issue of employee share options by subsidiaries	—	—	—	—	—	—	—	—
BALANCE AT MARCH 31, 2014 AS ADJUSTED	7,812,976	$78,337,123	$8,243,326	$8,720,971	$3,663,930	$29,970,876	$42,355,777	$1,015,67
BALANCE AT JANUARY 1, 2015	7,861,725	$78,715,179	$15,995,671	$10,289,878	$3,353,938	$38,753,462	$52,397,278	$4,541,15
Effect of retrospective application and retrospective adjustment	—	—	17,387	—	—	(16,040)	(16,040)	608

BALANCE AT JANUARY 1, 2015 AS ADJUSTED	7,861,725	78,715,179	16,013,058	10,289,878	3,353,938	38,737,422	52,381,238	4,541,76
Net profit for the three months ended March 31, 2015	—	—	—	—	—	4,469,201	4,469,201	—
Other comprehensive income (loss) for the three months ended March 31, 2015, net of income tax	—	—	—	—	—	—	—	(1,617,3
Total comprehensive income (loss) for the three months ended March 31, 2015	—	—	—	—	—	4,469,201	4,469,201	(1,617,3
Buy-back of ordinary shares	—	—	—	—	—	—	—	—
Issue of ordinary shares under employee share options	27,218	472,771	81,111	—	—	—	—	—
Additional non-controlling interest arising on issue of employee share options by subsidiaries	—	—	—	—	—	—	—	—
BALANCE AT MARCH 31, 2015	7,888,943	$79,187,950	$16,094,169	$10,289,878	$3,353,938	$43,206,623	$56,850,439	$2,924,39
US DOLLARS (Note 4) BALANCE AT MARCH 31, 2015	7,888,943	$2,534,826	$515,178	$329,382	$107,360	$1,383,054	$1,819,796	$93,611

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

(With Deloitte & Touche review report dated May 8, 2015)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2014	**2015**	
	(Reviewed after Adjusted)	**(Reviewed)**	
	NT$	**NT$**	**US$ (Note 4)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	$4,298,312	$5,506,616	$176,268
Adjustments for:			
Depreciation expense	6,269,956	7,256,998	232,298
Amortization expense	135,271	135,828	4,348
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(326,296)	968,918	31,015
Interest expense	589,916	577,332	18,481
Interest income	(58,712)	(51,305)	(1,642)
Dividend income	(3,417)	(65,750)	(2,105)
Compensation cost of employee share options	33,487	12,875	412
Share of loss (profit) of associates	64,226	(3,804)	(122)
Impairment loss recognized on non-financial assets	58,668	—	—
Reversal of impairment loss recognized on non-financial assets	—	(216,787)	(6,939)
Net loss (gain) on foreign currency exchange	742,054	(387,455)	(12,403)
Others	105,946	324,051	10,373
Changes in operating assets and liabilities			
Financial assets held for trading	308,372	535,510	17,142
Trade receivables	5,393,323	9,899,771	316,894
Other receivables	30,320	411	13
Inventories	144,372	(3,183,220)	(101,896)
Other current assets	(27,716)	528,999	16,933
Financial liabilities held for trading	(137,870)	(166,653)	(5,335)
Trade payables	(3,517,508)	(3,705,388)	(118,610)
Other payables	(22,647)	(1,417,585)	(45,377)
Other current liabilities	(73,957)	306,642	9,816
Other operating activities items	29,187	184,121	5,894

	14,035,287	17,040,125	545,458
Interest received	69,151	52,766	1,689
Dividend received	3,417	65,750	2,105
Interest paid	(556,723)	(559,232)	(17,901)
Income tax paid	(383,502)	(573,431)	(18,356)
Net cash generated from operating activities	13,167,630	16,025,978	512,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets designated as at fair value through profit or loss	(23,879,381)	(31,598,532)	(1,011,475)
Proceeds on sale of financial assets designated as at fair value through profit or loss	24,072,435	31,595,385	1,011,374
Purchase of available-for-sale financial assets	(1,942,512)	(149,279)	(4,778)
Proceeds on sale of available-for-sale financial assets	2,370,171	700,404	22,420
Acquisition of associates	(100,000)	—	—
Payments for property, plant and equipment	(3,975,218)	(7,762,448)	(248,477)

(Continued)

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ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2014	**2015**	
	(Reviewed after Adjusted)	**(Reviewed)**	
	NT$	**NT$**	**US$ (Note 4)**
Proceeds from disposal of property, plant and equipment	$17,536	$31,255	$1,000
Payments for intangible assets	(88,151)	(162,975)	(5,217)
Increase in other financial assets	(9,806)	(12,013)	(385)
Decrease (Increase) in other non-current assets	3,946	(32,942)	(1,054)
Net cash used in investing activities	(3,530,980)	(7,391,145)	(236,592)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings	(11,399,502)	(4,041,624)	(129,373)
Proceeds from long-term borrowings	4,853,794	5,005,910	160,240
Repayment of long-term borrowings	(6,123,956)	(5,803,317)	(185,766)
Proceeds from exercise of employee share options	452,581	557,403	17,843
Payments for buy-back of ordinary shares	—	(5,333,406)	(170,724)
Other financing activities items	2,505	(3,136)	(100)
Net cash used in financing activities	(12,214,578)	(9,618,170)	(307,880)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	1,129,045	(1,296,637)	(41,506)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,448,883)	(2,279,974)	(72,983)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	45,026,371	51,694,410	1,654,751
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$43,577,488	$49,414,436	$1,581,768

(Concluded)

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

(With Deloitte & Touche review report dated May 8, 2015)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2015

(Amounts in Thousands, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the management on May 8, 2015.

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

a. Initial application of the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC starting January 1, 2015.

Except for the following, whenever applied, the initial application of the 2013 IFRSs version would not have any material impact on the Group’s accounting policies:

1) IFRS 12 “Disclosure of Interests in Other Entities”

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

2) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required by the previous standards. For example, quantitative and qualitative disclosures based on the

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three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 30 for related disclosures.

3) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

The Group retrospectively applied the above amendments starting in 2015. Items that will not be reclassified subsequently to profit or loss are remeasurements of the defined benefit plans and share of remeasurements of the defined benefit plans of associates accounted for using the equity method. Items that may be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit, other comprehensive income (net of income tax), and total comprehensive income for the period.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of January 1, 2014 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets, capital surplus, retained earnings, other equity and non-controlling interests; however, the carrying amount of inventory is not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group elects not to present 2014 comparative information about the sensitivity analysis of the defined benefit obligation.

The initial application of the 2013 IFRSs has no material impact on the current period. The impact on the prior reporting periods is set out below:

	As Originally Stated	Adjustments Arising from Retrospective Application	Adjusted
Impact on Assets, Liabilities and Equity			
December 31, 2014			
Deferred tax assets	$4,493,664	$ 13,308	$4,506,972
Net defined benefit liabilities	4,371,136	11,394	4,382,530
Capital surplus	15,995,671	17,387	16,013,058
Retained earnings	52,397,278	(16,040)	52,381,238
Other equity	5,067,931	608	5,068,539
Non-controlling interests	8,219,139	(41)	8,219,098
March 31, 2014			
Deferred tax assets	3,972,035	15,234	3,987,269
Net defined benefit liabilities	4,523,706	89,608	4,613,314
Capital surplus	8,231,976	11,350	8,243,326
Retained earnings	42,431,026	(75,249)	42,355,777
Other equity	1,635,793	563	1,636,356
Non-controlling interests	4,324,205	(11,038)	4,313,167
January 1, 2014			
Deferred tax assets	3,765,482	17,783	3,783,265
Net defined benefit liabilities	4,441,357	104,603	4,545,960
Capital surplus	7,908,870	11,350	7,920,220
Retained earnings	38,993,154	(87,052)	38,906,102
Other equity	(102,554)	(62)	(102,616)
Non-controlling interests	4,144,338	(11,056)	4,133,282
Impact on Total Comprehensive Income			
For the three months ended			
March 31, 2014			
Operating cost	44,350,522	(10,182)	44,340,340
Operating expense	5,279,386	(4,813)	5,274,573
Income tax expense	726,839	3,174	730,013
Net profit for the period	3,556,478	11,821	3,568,299
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	1,588,607	625	1,589,232

Total comprehensive income for the period	5,344,377	12,446	5,356,823

(Continued)

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	As Originally Stated	Adjustments Arising from Retrospective Application	Adjusted
Net profit attributable to:			
Owners of the Company	$3,437,872	$ 11,803	$3,449,675
Non-controlling interests	118,606	18	118,624
	$3,556,478	$ 11,821	$3,568,299
Total comprehensive income attributable to:			
Owners of the Company	$5,176,219	$ 12,428	$5,188,647
Non-controlling interests	168,158	18	168,176
	$5,344,377	$ 12,446	$5,356,823

(Concluded)

5) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The initial application of the 2013 IFRSs version in 2015 has material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but the Group is not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

b. New IFRSs in issue but not yet endorsed by the FSC

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

New IFRSs	**Effective Date** **Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014

(Continued)

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New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 2)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below:

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

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

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

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

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3) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

Identify the contract with the customer;

Identify the performance obligations in the contract;

Determine the transaction price;

Allocate the transaction price to the performance obligations in the contracts; and

Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

5) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and results of operations, and will disclose the relevant impact when the assessment is completed.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Group:

has power over the investee;

is exposed, or has rights, to variable returns from its involvement with the investee; and

has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

potential voting rights held by the Group, other vote holders or other parties;

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rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

2) Subsidiaries included in the consolidated financial statements

Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)		
			March 31, 2014	December 31, 2014	March 31, 2015
A.S.E. Holding Limited	Holding company	Bermuda	100.0	100.0	100.0
J & R Holding Limited (“J&R Holding”)	Holding company	Bermuda	100.0	100.0	100.0
Innosource Limited	Holding company	British Virgin Islands	100.0	100.0	100.0
Omniquest Industrial Limited	Holding company	British Virgin Islands	100.0	100.0	100.0
ASE Marketing & Service Japan Co., Ltd.	Engaged in marketing and sales services	Japan	100.0	100.0	100.0
ASE Test, Inc.	Engaged in the testing of semiconductors	Kaohsiung, ROC	100.0	100.0	100.0
Universal Scientific Industrial Co., Ltd. (“USI”)	Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories	Nantou, ROC	99.2	99.2	99.2

(Continued)

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Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)		
			March 31, 2014	December 31, 2014	March 31, 2015
Luchu Development Corporation	Engaged in the development of real estate properties	Taipei, ROC	86.1	86.1	86.1
Alto Enterprises Limited	Holding company	British Virgin Islands	100.0	100.0	100.0
Super Zone Holdings Limited	Holding company	Hong Kong	100.0	100.0	100.0
ASE (Kun Shan) Inc.	Engaged in the packaging and testing of semiconductors	Kun Shan, China	100.0	100.0	100.0
ASE Investment (Kun Shan) Limited	Holding company	Kun Shan, China	100.0	100.0	100.0
Advanced Semiconductor Engineering (China) Ltd.	Will engage in the packaging and testing of semiconductors	Shanghai, China	100.0	100.0	100.0
ASE Investment (Labuan) Inc.	Holding company	Malaysia	100.0	100.0	100.0
ASE Test Limited (“ASE Test”)	Holding company	Singapore	100.0	100.0	100.0
ASE (Korea) Inc.	Engaged in the packaging and testing of semiconductors	Korea	100.0	100.0	100.0
J&R Industrial Inc.	Engaged in leasing equipment and investing activity	Kaohsiung, ROC	100.0	100.0	100.0
ASE Japan Co., Ltd.	Engaged in the packaging and testing of semiconductors	Japan	100.0	100.0	100.0
ASE (U.S.) Inc.	After-sales service and sales support	U.S.A.	100.0	100.0	100.0
Global Advanced Packaging Technology Limited, Cayman Islands	Holding company	British Cayman Islands	100.0	100.0	100.0
ASE WeiHai Inc.	Engaged in the packaging and testing of semiconductors	Shandong, China	100.0	100.0	100.0
Suzhou ASEN Semiconductors Co., Ltd.	Engaged in the packaging and testing of semiconductors	Suzhou, China	60.0	60.0	60.0
Anstock Limited	Engaged in financing activity	British Cayman Islands	100.0	100.0	100.0
Anstock II Limited	Engaged in financing activity and established in July 2014	British Cayman Islands	-	100.0	100.0
ASE Module (Shanghai) Inc.	Will engage in the production and sale of electronic components and printed circuit boards	Shanghai, China	100.0	100.0	100.0
ASE (Shanghai) Inc.	Engaged in the production of substrates	Shanghai, China	100.0	100.0	100.0
ASE Corporation	Holding company	British Cayman Islands	100.0	100.0	100.0
ASE Mauritius Inc.	Holding company	Mauritius	100.0	100.0	100.0

ASE Labuan Inc.	Holding company	Malaysia	100.0	100.0	100.0
ASE Module (Kunshan) Inc.	Merged into ASE (Kun Shan) Inc. in September 2014	Kun Shan, China	100.0	100.0	-
Shanghai Ding Hui Real Estate Development Co., Ltd.	Engaged in the development, construction and sale of real estate properties	Shanghai, China	100.0	100.0	100.0
Shanghai Ding Qi Property Management Co., Ltd.	Engaged in the management of real estate properties and was established in January 2015	Shanghai, China	-	-	100.0
Advanced Semiconductor Engineering (HK) Limited	Engaged in the trading of substrates	Hong Kong	100.0	100.0	100.0
Shanghai Ding Wei Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Shanghai, China	100.0	100.0	100.0
Shanghai Ding Yu Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Shanghai, China	100.0	100.0	100.0
Kun Shan Ding Yue Real Estate Development Co., Ltd.	Engaged in the development, construction and leasing of real estate properties	Kun Shan, China	100.0	100.0	100.0
Kun Shan Ding Hong Real Estate Development Co., Ltd	Engaged in the development, construction and leasing of real estate properties	Kun Shan, China	100.0	100.0	100.0
ASE Electronics Inc.	Engaged in the production of substrates	Kaohsiung, ROC	100.0	100.0	100.0
ASE Test Holdings, Ltd.	Holding company	British Cayman Islands	100.0	100.0	100.0
ASE Holdings (Singapore) Pte Ltd	Holding company	Singapore	100.0	100.0	100.0
ASE Test Finance Limited	In the process of liquidation	Mauritius	100.0	100.0	100.0
ASE Singapore Pte. Ltd.	Engaged in the packaging and testing of semiconductors	Singapore	100.0	100.0	100.0
ISE Labs, Inc.	Engaged in the testing of semiconductors	U.S.A.	100.0	100.0	100.0
ASE Electronics (M) Sdn. Bhd.	Engaged in the packaging and testing of semiconductors	Malaysia	100.0	100.0	100.0
ASE Assembly & Test (Shanghai) Limited	Engaged in the packaging and testing of semiconductors	Shanghai, China	100.0	100.0	100.0
ASE Trading (Shanghai) Ltd.	Engaged in trading activity and was invested by ASE Assembly & Test (Shanghai) Limited in January 2015	Shanghai, China	-	-	100.0

(Continued)

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Name of Investee	Main Businesses	Establishment and Operating Location	Percentage of Ownership (%)		
			March 31, 2014	December 31, 2014	March 31, 2015
Wuxi Tongzhi Microelectronics Co., Ltd.	Engaged in the packaging and testing of semiconductors	Wuxi, China	100.0	100.0	100.0
Huntington Holdings International Co., Ltd.	Holding company	British Virgin Islands	99.2	99.2	99.2
Senetex Investment Co., Ltd.	In the process of liquidation	Nantou, ROC	99.2	99.2	99.2
Unitech Holdings International Co., Ltd.	Holding company	British Virgin Islands	99.2	99.2	99.2
Real Tech Holdings Limited	Holding company	British Virgin Islands	99.2	99.2	99.2
Universal ABIT Holding Co., Ltd.	Holding company	British Cayman Islands	99.2	99.2	99.2
Rising Capital Investment Limited	Holding company	British Virgin Islands	99.2	99.2	99.2
Rise Accord Limited	Holding company	British Virgin Islands	99.2	99.2	99.2
Cubuy Corporation	Engaged in the trading of computer systems	Shanghai, China	99.2	99.2	99.2
Universal Scientific Industrial (Kunshan) Co., Ltd.	Engaged in the manufacturing and sale of computer assistance system and related peripherals	Kun Shan, China	99.2	99.2	99.2
USI Enterprise Limited (“USIE”)	Holding company	Hong Kong	99.1	98.7	98.7
Universal Scientific Industrial (Shanghai) Co., Ltd. (“USISH”)	Engaged in the designing, manufacturing and sale of electronic components	Shanghai, China	88.6	82.1	82.1
Universal Global Technology Co., Limited	Holding company	Hong Kong	88.6	82.1	82.1
Universal Global Technology (Kunshan) Co., Ltd.	Engaged in the designing and manufacturing of electronic components	Kun Shan, China	88.6	82.1	82.1
Universal Global Technology (Shanghai) Co., Ltd.	Engaged in the processing and sales of computer and communication peripherals as well as business in import and export of goods and technology	Shanghai, China	88.6	82.1	82.1
Universal Global Electronics (Shanghai) Co., Ltd.	Engaged in the sale of electronic components and telecommunications equipment and established in May 2014	Shanghai, China	-	82.1	82.1
Universal Global Industrial Co., Limited	Engaged in manufacturing, trading and investing activity	Hong Kong	88.6	82.1	82.1

Universal Global Scientific Industrial Co., Ltd.	Engaged in the manufacturing of components of telecomm and cars and provision of related R&D services	Nantou, ROC	88.6	82.1	82.1
USI Manufacturing Service, Inc.	Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service	U.S.A.	88.6	82.1	82.1
Universal Scientific Industrial De Mexico S.A. De C.V.	Engaged in the assembling of motherboards and computer components	Mexico	88.6	82.1	82.1
USI Japan Co., Ltd.	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories	Japan	88.6	82.1	82.1
USI@Work, Inc.	After-sale service	U.S.A.	88.6	82.1	82.1
USI Electronics (Shenzhen) Co., Ltd.	Engaged in the design, manufacturing and sale of motherboards and computer peripherals	Shenzhen, China	88.6	82.1	82.1

(Concluded)

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

The transaction was accounted for as an equity transaction since the Group did not cease to have control over USISH and, as a result, in 2014, capital surplus was charged an addition of NT$6,877,101 thousand including the effect from the retrospective application of revised IAS 19.

e. Business Combinations

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

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

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

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

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

f. Foreign Currencies

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

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

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

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

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

g. Cash Equivalents

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

h. Inventories and Inventories Related to Real Estate Business

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

Inventories related to real estate business include land and buildings held for sale, land held for construction, construction in progress and prepayment for land use rights. Land held for development is recorded as land held for construction upon obtaining the title of ownership. The prepayment is recorded as prepayments for land use rights before obtaining the title of ownership. Prior to the completion, the borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. Construction in progress is transferred to land and buildings held for sale upon completion. Land and buildings held for sale, construction in progress and land held for construction are stated at the lower of cost or net realizable value and related write-downs are made by item. The amounts received in advance for real estate properties are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and significant risk of the real estate properties are transferred to customers. Cost of sales of land and buildings held for sale are recognized based on the ratio of property sold to the total property developed.

i. Investments Accounted for Using the Equity Method

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

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

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

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

j. Property, Plant and Equipment

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

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

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

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

k. Goodwill

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

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

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. A reversal of an impairment loss recognized for goodwill is prohibited in subsequent periods.

l. Other Intangible Assets

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

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

m. Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

n. Financial Instruments

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

1) Financial assets

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

a) Measurement category

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

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

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

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

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

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

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

2) Equity instruments

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

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

3) Financial liabilities

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

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

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

4) Derivative Financial Instruments

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

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

5) Convertible Bonds

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

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

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

o. Hedge Accounting

The Group designates certain hedging instruments as cash flow hedges.

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

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

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The cumulative gains or losses on the hedging instruments that were previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost as non-financial assets or non-financial liabilities. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. Revenue Recognition

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

1) Sale of goods and real estate properties

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

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods and real estate properties;

The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and real estate properties sold;

The amount of revenue can be reliably measured;

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

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

2) Rendering of services

Service income is recognized when services are rendered.

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3) Dividend and interest income

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

q. Leasing

The Group as lessor

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

The Group as lessee

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

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

r. Borrowing Costs

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

s. Government grants

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

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

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

t. Retirement Benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

u. Share-based Payment Arrangements

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

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

v. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

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

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

w. U.S. Dollar Amounts

A translation of the consolidated financial statements into U.S. dollars is included solely for the convenience of the readers, and has been translated from New Taiwan dollar (NT$) at the exchange rate as set forth in the statistical release by the U.S. Federal Reserve Board of the United States, which was NT$31.24 to US$1.00 as of March 31, 2015. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Goodwill

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

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Impairment of Tangible and Intangible Assets Other than Goodwill

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

Valuation of Inventory

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

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

Income Taxes

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

Recognition and Measurement of Defined Benefit Plans

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

Fair value of Derivatives and Other Financial Instruments

As disclosed in Note 30, the Group's management uses its judgments applying appropriate valuation techniques commonly applied by market practitioners. The assumptions applied are based on observable quoted market prices, foreign exchange rates and interest rates to the extent it is available. The fair value of unquoted equity instruments is estimated based on the assumptions supported by unobservable market prices and interest rates which are disclosed in Note 30. The Group's management believes that the valuation techniques and the assumptions applied are appropriate in determining the fair value of financial instruments.

6. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2014	March 31, 2015
	NT$	NT$	NT$
Cash on hand	$10,059	$9,953	$10,130
Checking accounts and demand deposits	35,424,181	43,059,911	40,787,232
Cash equivalent	8,143,248	8,624,546	8,617,074
	$43,577,488	$51,694,410	$49,414,436

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7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2014	December 31, 2014	March 31, 2015
	NT$	NT$	NT$
Financial assets designated as at FVTPL			
Structured time deposits	$2,313,595	$2,376,050	$2,349,660
Private-placement convertible bonds	100,500	100,500	100,500
	2,414,095	2,476,550	2,450,160
Financial assets held for trading			
Swap contracts	715,885	1,907,705	1,313,588
Open-end mutual funds	170,834	533,425	534,322
Forward exchange contracts	13,108	27,811	182,200
Quoted shares	41,178	43,352	37,242
Repurchase agreements collateralized by bonds	—	—	12,779
Cross currency swap contracts	9,578	—	—
Foreign currency option contracts	1,936	—	—
	952,519	2,512,293	2,080,131
	$3,366,614	$4,988,843	$4,530,291
Financial liabilities held for trading			
Conversion option, redemption option and put option of convertible bonds (Note 19)	$2,275,500	$2,520,606	$3,456,772
Swap contracts	66,531	99,165	142,815
Foreign currency option contracts	28,426	—	90,692
Forward exchange contracts	40,066	31,581	11,071
Interest rate swap contracts	3,418	—	—
	$2,413,941	$2,651,352	$3,701,350

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

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

Currency	Maturity Period	Notional Amount (In Thousands)
March 31, 2014		
Sell NT$/Buy US$	2014.04-2015.03	NT$28,345,711/US$959,000
Sell US$/Buy NT$	2014.04-2014.05	US$64,400/NT$1,950,245
Sell US$/Buy JPY	2014.05	US$65,688/JPY6,750,000
Sell US$/Buy CNY	2014.06-2014.07	US$60,000/CNY365,008
Sell CNY/Buy US$	2015.03	CNY217,288/US$35,000

(Continued)

Currency	Maturity Period	Notional Amount (In Thousands)
December 31, 2014		
Sell NT$/Buy US$	2015.01-2015.12	NT$36,199,735/US$1,209,000
Sell US$/Buy NT$	2015.01-2015.02	US$132,100/NT$4,149,958
Sell US$/Buy JPY	2015.01	US$72,248/JPY8,450,000
Sell US$/Buy CNY	2015.01-2015.06	US$80,000/CNY503,452
Sell CNY/Buy US$	2015.03	CNY217,288/US$35,000
March 31, 2015		
Sell NT$/Buy US$	2015.04-2016.03	NT$52,333,193/US$1,714,000
Sell US$/Buy NT$	2015.04-2015.05	US$80,800/NT$2,540,225
Sell US$/Buy JPY	2015.04-2015.05	US$73,524/JPY8,750,000
Sell US$/Buy CNY	2015.06-2015.07	US$80,000/CNY505,012

(Concluded)

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

Currency	Maturity Period	Notional Amount (In Thousands)
March 31, 2014		
Sell US$/Buy NT$	2014.04-2014.06	US$30,000/NT$917,365
Sell US$/Buy CNY	2014.04-2014.10	US$104,500/CNY638,843
Sell US$/Buy MYR	2014.04-2014.05	US$9,500/MYR31,322
Sell US$/Buy SGD	2014.04-2014.05	US$8,000/SGD10,134
Sell US$/Buy JPY	2014.04-2014.05	US$7,399/JPY756,482
December 31, 2014		
Sell US$/Buy NT$	2015.01	US$14,000/NT$438,434
Sell US$/Buy CNY	2015.01-2015.03	US$127,000/CNY785,683
Sell US$/Buy MYR	2015.01-2015.02	US$6,000/MYR20,860
Sell US$/Buy SGD	2015.01-2015.02	US$11,700/SGD15,211
Sell US$/Buy JPY	2015.01-2015.04	US$18,385/JPY2,177,800
March 31, 2015		
Sell US$/Buy NT$	2015.04-2015.06	US$250,000/NT$7,900,770
Sell US$/Buy CNY	2015.04-2015.06	US$205,684/CNY1,290,079

Sell US$/Buy MYR	2015.04-2015.05	US$9,000/MYR33,067
Sell US$/Buy SGD	2015.04-2015.06	US$10,000/SGD13,605
Sell US$/Buy JPY	2015.04-2015.05	US$12,337/JPY1,495,176
Sell NT$/Buy US$	2015.04	NTD2,189,550/US$70,000

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

Notional Amount (In Thousands)	**Maturity Period**	**Range of Interest Rates Paid (%)**	**Range of Interest Rates Received (%)**
March 31, 2014			
NT$598,600/US$20,000	2014.07	(0.19)	0.15

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

Currency		**Maturity Period**	**(In Thousands)**	
March 31, 2014				
Sell US$ Put	NT$Call	2016.08 (Note)	US$2,000	NT$58,300
Sell US$ Put	NT$Call	2016.09 (Note)	US$2,000	NT$58,200
Sell US$ Put	NT$Call	2016.09 (Note)	US$2,000	NT$58,760
Buy US$ Call	NT$ Put	2016.08 (Note)	US$1,000	NT$29,150
Buy US$ Call	NT$ Put	2016.09 (Note)	US$1,000	NT$29,100
Buy US$ Call	NT$ Put	2016.09 (Note)	US$1,000	NT$29,380
March 31, 2015				
Sell US$ Put	NT$ Call	2017.07 (Note)	US$4,000	NT$123,200
Sell US$ Put	NT$ Call	2017.07 (Note)	US$4,000	NT$122,720
Sell US$ Put	NT$ Call	2017.07 (Note)	US$4,000	NT$121,400
Sell US$ Put	NT$ Call	2017.07 (Note)	US$4,000	NT$120,200
Buy US$ Call	NT$ Put	2017.07 (Note)	US$2,000	NT$61,600
Buy US$ Call	NT$ Put	2017.07 (Note)	US$2,000	NT$61,360
Buy US$ Call	NT$ Put	2017.07 (Note)	US$2,000	NT$60,700
Buy US$ Call	NT$ Put	2017.07 (Note)	US$2,000	NT$60,100

Note: The contracts will be settled once a month and the counterparty has the right to early terminate the contracts. The aforementioned outstanding contracts as of March 31, 2014 were all early terminated.

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

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

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8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
Open-end mutual funds	$1,867,557	$1,500,434	$949,599
Limited partnership	594,965	555,361	459,187
Quoted ordinary shares	343,841	195,070	229,747
Unquoted ordinary shares	232,664	211,726	214,145
Unquoted preferred shares	16,971	11,779	12,347
	3,055,998	2,474,370	1,865,025
Current	1,922,038	1,533,265	979,247
Non-current	$1,133,960	$941,105	$885,778

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

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

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

Maturity Period	Notional Amount (In Thousands)	Interest Rates Paid (%)	Interest Rates Received (%)	Expected Period for Future Cash Flow	Expected Period for the Recognition of Gains or Losses from Hedging
March 31, 2014					
2014.04	CNYJ40,000	2.00	1.34	2014	2014

All interest rate swap contracts exchanging floating interest rates for fixed interest rates were designated as cash flow hedges in order to reduce the Group's cash flow exposure to floating interest rates on borrowings. The interest rate swaps and the interest payments on the borrowings occur simultaneously and the amounts accumulated in equity are reclassified to profit or loss over the period that the floating rate interest payments on the borrowings affect profit or loss. (Note 22d)

10. TRADE RECEIVABLES, NET

	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
Trade receivables	$37,910,360	$53,004,955	$43,104,975
Less: Allowance for doubtful debts	53,533	84,145	95,494
Trade receivables, net	$37,856,827	$52,920,810	$43,009,481

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a. Trade receivables

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

As of March 31, 2014, December 31, 2014 and March 31, 2015, except that the Group’s five largest customers accounted for 22%, 30% and 26% of accounts receivable, respectively, the concentration of credit risk is insignificant for the remaining accounts receivable.

Aging of receivables

	March 31, 2014 NT$	**December 31, 2014 NT$**	**March 31, 2015 NT$**
Not past due	$34,431,333	$47,387,888	$39,470,599
1 to 30 days	2,784,559	5,222,943	3,217,701
31 to 90 days	577,812	306,052	289,008
More than 91 days	116,656	88,072	127,667
Total	$37,910,360	$53,004,955	$43,104,975

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

Aging of receivables that were past due but not impaired

	March 31, 2014 NT$	**December 31, 2014 NT$**	**March 31, 2015 NT$**
1 to 30 days	$2,740,475	$5,191,521	$3,111,186
31 to 90 days	391,299	131,247	169,952
More than 91 days	—	1,407	2,346

Total	$3,131,774	$5,324,175	$3,283,484

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

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

Movement of the allowance for doubtful trade receivables

	Impaired Individually NT$	**Impaired Collectively NT$**	Total **NT$**
Balance at January 1, 2014	$ 26,885	$ 41,235	$68,120
Impairment losses reversed	(11,039)	(2,961)	(14,000)

(Continued)

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	Impaired Individually NT$	**Impaired Collectively NT$**	Total **NT$**
Amount written off as uncollectible	$ —	$ (11)	$ (11)
Effect of foreign currency exchange differences	(1,233)	657	(576)
Balance at March 31, 2014	$ 14,613	$ 38,920	$ 53,533
Balance at January 1, 2015	$ 28,305	$ 55,840	$ 84,145
Impairment losses recognized	18,782	(6,242)	12,540
Amount written off as uncollectible	—	(209)	(209)
Effect of foreign currency exchange differences	(502)	(480)	(982)
Balance at March 31, 2015	$ 46,585	$ 48,909	$ 95,494

(Concluded)

Aging of impaired trade receivables

	March 31, 2014 NT$	**December 31, 2014 NT$**	**March 31, 2015 NT$**
Not past due	$—	$ 2,701	$—
1 to 30 days	44,084	31,422	106,515
31 to 90 days	186,513	174,805	119,056
More than 91 days	116,656	86,665	125,321
Total	$ 347,253	$ 295,593	$ 350,892

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

b. Transfers of financial assets

Factored trade receivables of the Company were as follows:

Counterparties	**Receivables Sold**	**Amounts Collected**	**Advances Received**	**Interest Rates**	**Credit Line**

	(In Thousands)	**(In Thousands)**	**At Period-end (In Thousands)**	**on Advances Received (%)**	**(In Thousands)**
For the three months ended March 31, 2014					
Citi bank	US$L9,147	US$ -	US$L9,147	1.09	US$ 92,000
For the three months ended March 31, 2015					
Citi bank	US$ -	US$ -	US$ -	—	US$ 92,000

Pursuant to the factoring agreement, losses from commercial disputes (such as sales returns and discounts) should be borne by the Company, while losses from credit risk should be borne by the banks. In the commencement of the factoring agreement in 2010, the Company also issued promissory notes to the banks for commercial disputes which remained undrawn since. The promissory notes amounted to

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US$27,000 thousand, US$5,000 thousand and US$5,000 thousand as of March 31, 2014, December 31, 2014 and March 31, 2015, respectively. There were no significant losses from commercial disputes in the past and the Group does not expect any significant commercial dispute losses in the foreseeable future.

11. INVENTORIES

	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
Finished goods	$3,911,581	$6,568,459	$7,606,145
Work in process	2,410,352	2,064,377	4,236,873
Raw materials	8,189,302	10,155,006	9,775,154
Supplies	591,116	797,353	753,171
Raw materials and supplies in transit	392,864	577,898	1,079,156
	$15,495,215	$20,163,093	$23,450,499

The cost of inventories recognized as operating costs for the three months ended March 31, 2014 and 2015 were NT$44,296,028 thousand and NT$52,348,719 thousand, respectively, which included write-down of inventories at NT$38,404 thousand and reversal of write-down of inventories at NT$216,787 thousand, respectively. Previous write-downs were reversed as a result of selling of inventories.

12. INVENTORIES RELATED TO REAL ESTATE BUSINESS

	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
Land and buildings held for sale	$5,322	$5,558	$5,475
Construction in progress (Note 17)	15,820,564	22,242,065	22,397,694
Land held for construction	1,692,764	1,738,855	1,751,428
Prepayments for land use rights	3,255,304	—	—
	$20,773,954	$23,986,478	$24,154,597

Land and buildings held for sale located in Shanghai Zhangjiang was successively completed and sold. Construction in progress is mainly located on Caobao Road and Hutai Road in Shanghai, China and Lidu Road and Xinhong Road in Kun Shan, China. The capitalized borrowing costs for the three months ended March 31, 2014 and 2015 is disclosed in Note 23.

As of March 31, 2014, December 31, 2014 and March 31, 2015, inventories related to real estate business of NT$20,768,632 thousand, NT$23,697,339 thousand and NT$23,845,869 thousand, respectively, are expected to be recovered longer than twelve months.

Refer to Note 32 for the carrying amount of inventories related to real estate business that had been pledged by the Group to secure bank borrowings.

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13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

			Carrying Amount		
Name of Associate	Main Business	**Establish-ment and Operating** Location	**March 31, 2014 NT$**	**December 31, 2014 NT$**	**March 31, 2015 NT$**
Listed companies					
Hung Ching Development & Construction Co. (“HC”)	Engaged in the development, construction and leasing of real estate properties	ROC	$1,306,830	$1,351,400	$1,461,631
Advanced Microelectronic Products Inc. (“AMPI”)	Engaged in integrated circuit	ROC	115,917	99,052	86,953
Unlisted companies					
Hung Ching Kwan Co. (“HCK”)	Engaged in the leasing of real estate properties	ROC	352,100	342,138	340,796
StarChips Technology Inc. (“SCT”)	Engaged in design, manufacturing and sale of LED driver IC	ROC	47,856	—	—
			1,822,703	1,792,590	1,899,380
	Less: Deferred gain on transfer of land		300,149	300,149	300,149
	Accumulated impairment - SCT		47,856	—	—
			$1,474,698	$1,492,441	$1,589,231

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

	March 31, 2014	**December 31, 2014**	**March 31, 2015**
HC	J6.2%	J6.2%	J6.2%
AMPI	J2.1%	I8.2%	I8.2%
HCK	J7.3%	J7.3%	J7.3%
SCT	K3.3%	-	-

b. In January 2014, the Company subscribed for 20,000 thousand private-placement ordinary shares of AMPI in NT$100,000 thousand. The Company obtained significant influence over AMPI since the percentage of ownership was 27.4% after taking into account the shares previously held and recognized as available-for-sale financial assets.

The private-placement ordinary shares were restricted for disposal during a 3-year lock-up period. In addition, the Company did not join AMPI's cash capital increase in February and April 2014 and, as the result, the percentage of ownership decreased from 27.4% to 18.2%. After the consideration of potential voting rights that are currently convertible, the Company still has significant influence over AMPI.

c. The Company did not subscribe for SCT's cash capital increase in May 2014 and, therefore, the percentage of ownership decreased from 33.3% to 5.6%. As the result, the Company had no significant influence over SCT and the investment in SCT was reclassified to available-for-sale financial assets.

d. Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

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	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
HC	$1,180,432	$1,427,499	$1,564,759
AMPI	$329,088	$184,862	$146,557

14. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2014 NT$	December 31, 2014 NT$	March 31, 2015 NT$
Land	$3,314,594	$3,348,018	$3,338,104
Buildings and improvements	44,761,670	56,395,710	56,117,941
Machinery and equipment	72,471,991	84,171,647	81,828,123
Other equipment	1,357,717	1,816,687	1,694,371
Construction in progress and machinery in transit	8,516,407	5,855,053	7,076,830
	$130,422,379	$151,587,115	$150,055,369

For the three months ended March 31, 2014

Land	Buildings and improvements	Machinery and equipment