Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements as of December 31, 2011 and 2012 and for the Years Ended December 31, 2010, 2011 and 2012 and Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. (a corporation incorporated under the laws of the Republic of China) and its subsidiaries (collectively, the "Company") as of December 31, 2011 and 2012, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2012, all expressed in New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the Republic of China ("ROC") and the Standards of the Public Company Accounting Oversight Board (United States of America). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2011 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the ROC.

Accounting principles generally accepted in the ROC differ in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 32 to the consolidated financial statements.

Our audits also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of the readers.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 12, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 12, 2013

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Par Value)

	December 31		
	2011	2012	
ASSETS	NT$	NT$	US$ (Note 2)
CURRENT ASSETS			
Cash (Note 4)	$ 24,421,789	$ 20,265,551	$ 697,609
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	706,755	4,035,000	138,898
Available-for-sale financial assets - current (Notes 2 and 6)	48,794	48,266	1,661
Bond investments with no active market - current (Notes 2 and 7)	90,825	87,120	3,000
Accounts receivable, net (Notes 2, 3 and 8)	30,475,788	37,212,587	1,280,984
Other receivables	693,016	572,183	19,697
Inventories (Notes 2 and 9)	13,920,757	15,171,042	522,239
Inventories related to construction business (Notes 2, 10, 13 and 28)	16,149,498	16,902,018	581,825
Deferred income tax assets - current (Notes 2 and 23)	1,135,525	762,552	26,250
Other current assets (Note 28)	2,488,943	2,986,004	102,788
Total current assets	90,131,690	98,042,323	3,374,951
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	173,085	320,026	11,016
Financial assets carried at cost - noncurrent (Notes 2 and 11)	893,283	827,882	28,498
Equity method investments (Notes 2 and 12)	1,154,360	1,218,023	41,929
Total long-term investments	2,220,728	2,365,931	81,443
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 27 and 28)			
Cost			
Land	3,075,183	3,040,515	104,665
Buildings and improvements	55,738,712	62,071,245	2,136,704
Machinery and equipment	175,652,291	191,479,488	6,591,376
Transportation equipment	291,694	294,377	10,133
Furniture and fixtures	4,965,374	5,254,442	180,876
Leased assets and leasehold improvements	666,370	211,477	7,280
Total cost	240,389,624	262,351,544	9,031,034
Less: Accumulated depreciation	(137,123,072)	(144,267,903)	(4,966,193)
Accumulated impairment	(313,969)	(314,659)	(10,832)
	102,952,583	117,768,982	4,054,009
Construction in progress	4,059,709	3,340,892	115,005
Machinery in transit and prepayments	4,766,744	5,040,422	173,509
Property, plant and equipment, net	111,779,036	126,150,296	4,342,523
INTANGIBLE ASSETS (Notes 2 and 14)			
Goodwill	10,374,501	10,306,823	354,796
Land use rights	3,420,700	3,736,658	128,628
Other intangible assets	1,977,214	1,758,364	60,529
Total intangible assets	15,772,415	15,801,845	543,953
OTHER ASSETS			
Idle assets (Notes 2 and 15)	1,114,054	1,092,502	37,608
Guarantee deposits	99,779	84,298	2,902
Deferred charges (Note 2)	1,045,356	427,967	14,732
Deferred income tax assets - noncurrent (Notes 2 and 23)	1,459,103	1,844,389	63,490
Restricted assets (Note 28)	218,178	201,862	6,949
Others	37,756	492,702	16,960
Total other assets	3,974,226	4,143,720	142,641
TOTAL	$ 223,878,095	$ 246,504,115	$ 8,485,511

	December 31		
	2011	2012	
LIABILITIES AND SHAREHOLDERS' EQUITY	NT$	NT$	US$ (Note 2)
CURRENT LIABILITIES			
Short-term borrowings (Note 16)	$ 22,965,133	$ 36,884,926	$ 1,269,705
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	134,274	467,148	16,081
Hedging derivative liabilities - current (Notes 2 and 26)	-	4,524	156
Accounts payable	21,191,923	24,226,701	833,966
Income tax payable (Note 2)	2,400,592	2,784,310	95,845
Accrued expenses (Notes 17 and 20)	8,939,719	9,500,430	327,037
Payable for properties	5,699,504	5,291,348	182,146
Advance real estate receipts (Note 2)	47,667	167,017	5,749
Current portion of long-term bank loans (Notes 19 and 28)	3,418,799	3,167,050	109,021
Deferred income tax liabilities - current (Notes 2 and 23)	175	246,180	8,474
Current portion of capital lease obligations (Note 2)	42,161	46,727	1,609
Other current liabilities	1,921,938	1,917,048	65,991
Total current liabilities	66,761,885	84,703,409	2,915,780
LONG-TERM LIABILITIES			
Hedging derivative liabilities - noncurrent (Notes 2 and 26)	58,279	-	-
Bonds payable (Note 18)	10,876,538	10,804,551	371,929
Long-term bank loans (Notes 19 and 28)	39,266,414	33,783,165	1,162,932
Long-term payables	200,000	-	-
Capital lease obligations (Note 2)	23,925	3,969	137
Total long-term liabilities	50,425,156	44,591,685	1,534,998
OTHER LIABILITIES			
Accrued pension cost (Notes 2 and 20)	3,304,841	3,260,783	112,247
Deferred income tax liabilities - noncurrent (Notes 2 and 23)	624,740	946,577	32,584
Others	478,979	542,593	18,678
Total other liabilities	4,408,560	4,749,953	163,509
Total liabilities	121,595,601	134,045,047	4,614,287
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Capital stock (Note 21)			
Common Stock - at par value of NT$10 each			
Authorized - 9,500,000 thousand shares as of December 31, 2011 and 2012, respectively			
Issued - 6,753,563 thousand shares and 7,594,150 thousand shares as of December 31, 2011 and 2012, respectively	67,535,632	75,941,496	2,614,165
Capital received in advance	35,693	106,171	3,655
Total capital stock	67,571,325	76,047,667	2,617,820
Capital surplus (Notes 2, 21 and 22)			
Capital in excess of par value	1,615,449	1,704,700	58,681
Treasury stock transactions	1,402,632	83,117	2,861
Long-term investments	3,522,280	5,690,964	195,902
Employee stock options	857,120	1,288,353	44,350
Total capital surplus	7,397,481	8,767,134	301,794
Retained earnings (Note 21)	27,809,126	26,969,183	928,371
Other equity adjustments (Notes 2, 21 and 22)			
Unrealized gain on financial instruments	235,088	401,938	13,836
Cumulative translation adjustments	3,353,938	119,987	4,130
Unrecognized pension cost	(465,681)	(831,917)	(28,637)
Treasury stock - 233,456 thousand shares and 145,883 thousand shares as of December 31, 2011 and 2012, respectively	(4,731,741)	(1,959,107)	(67,439)
Total other equity adjustments	(1,608,396)	(2,269,099)	(78,110)
Total equity attributable to shareholders of the parent	101,169,536	109,514,885	3,769,875
MINORITY INTEREST	1,112,958	2,944,183	101,349
Total shareholders' equity	102,282,494	112,459,068	3,871,224
TOTAL	$ 223,878,095	$ 246,504,115	$ 8,485,511

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
NET REVENUES (Note 2)				
Packaging	$ 101,071,294	$ 102,677,289	$ 104,298,275	$ 3,590,302
Testing	21,956,997	21,932,231	22,657,058	779,933
Electronic manufacturing service	59,577,374	57,850,415	62,747,665	2,159,989
Others	6,137,132	2,887,271	4,269,394	146,967
Total net revenues	188,742,797	185,347,206	193,972,392	6,677,191
COST OF REVENUES (Notes 9, 10 and 24)				
Packaging	79,750,674	82,470,911	84,470,662	2,907,768
Testing	13,711,338	14,953,679	15,052,534	518,160
Electronic manufacturing service	53,095,183	51,499,967	55,464,536	1,909,278
Others	1,641,029	1,413,846	2,360,890	81,270
Total cost of revenues	148,198,224	150,338,403	157,348,622	5,416,476
GROSS PROFIT	40,544,573	35,008,803	36,623,770	1,260,715
OPERATING EXPENSES (Notes 24 and 27)				
Research and development	6,162,191	7,117,964	7,874,210	271,057
Selling	2,909,643	2,770,045	2,762,763	95,104
General and administrative	7,373,733	8,299,543	8,225,415	283,147
Total operating expenses	16,445,567	18,187,552	18,862,388	649,308
INCOME FROM OPERATIONS	24,099,006	16,821,251	17,761,382	611,407
NON-OPERATING INCOME AND GAINS				
Interest income (Note 26)	215,228	330,674	322,197	11,091
Gain on valuation of financial assets, net (Notes 2 and 5)	1,169,434	1,118,488	420,845	14,487
Foreign exchange gain, net (Note 2)	317,553	36,203	965,404	33,233
Equity in earnings of equity method investments (Notes 2 and 12)	72,980	96,938	61,374	2,113
Dividend income (Note 2)	11,551	621,488	66,129	2,276
Gain on disposal of property, plant and equipment (Note 2)	-	82,485	43,607	1,501
Others	770,201	772,432	555,673	19,128
Total non-operating income and gains	2,556,947	3,058,708	2,435,229	83,829
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 10, 13 and 26)	1,386,011	1,666,325	2,004,315	68,995
Loss on valuation of financial liabilities, net (Notes 2 and 5)	1,092,316	250,435	1,138,509	39,191
Impairment loss (Notes 2, 6, 11, 12, 13, 14 and 15)	251,402	448,056	97,234	3,347
Loss on disposal of property, plant and equipment (Note 2)	445,276	-	-	-
Others	657,319	517,982	366,017	12,600
Total non-operating expenses and losses	3,832,324	2,882,798	3,606,075	124,133
INCOME BEFORE INCOME TAX	22,823,629	16,997,161	16,590,536	571,103
INCOME TAX EXPENSE (Notes 2 and 23)	3,628,740	3,018,212	3,041,628	104,703
NET INCOME	$ 19,194,889	$ 13,978,949	$ 13,548,908	$ 466,400
ATTRIBUTABLE TO				
Shareholders of the parent	$ 18,337,500	$ 13,725,958	$ 13,091,359	$ 450,649
Minority interest	857,389	252,991	457,549	15,751
	$ 19,194,889	$ 13,978,949	$ 13,548,908	$ 466,400

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
EARNINGS PER SHARE (Note 25)				
Basic earnings per share				
Before income tax	$ 2.54	$ 2.00	$ 1.96	$ 0.07
After income tax	$ 2.44	$ 1.83	$ 1.76	$ 0.06
Diluted earnings per share				
Before income tax	$ 2.48	$ 1.95	$ 1.91	$ 0.07
After income tax	$ 2.39	$ 1.78	$ 1.71	$ 0.06
EARNINGS PER AMERICAN DEPOSIT SHARE (“ADS”) (Note 25)				
Basic earnings per ADS				
Before income tax	$ 12.68	$ 10.02	$ 9.79	$ 0.34
After income tax	$ 12.21	$ 9.13	$ 8.79	$ 0.30
Diluted earnings per ADS				
Before income tax	$ 12.42	$ 9.77	$ 9.56	$ 0.33
After income tax	$ 11.97	$ 8.91	$ 8.57	$ 0.30

(Concluded)

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in Thousands)

				Retained Earnings				Other Equity Adjustments					
	Capital Stock	Capital Received in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Unrecognized Pension Cost	Treasury Stock	Minority Interest	Total Shareholders' Equity
BALANCE, JANUARY 1, 2010	$ 54,798,783	$ 135,205	$ 6,333,755	$ 3,531,034	$ -	$ 9,698,375	$ 13,229,409	$ 25,498	$ 3,276,508	$ (248,641)	$ (5,934,491)	$ 3,097,668	$ 74,713,694
Appropriations of 2009 earnings (Note 21)													
Legal reserve	-	-	-	674,455	-	(674,455)	-	-	-	-	-	-	-
Stock dividends - 8.4%	4,615,775	-	-	-	-	(4,615,775)	(4,615,775)	-	-	-	-	-	-
Cash dividends - 3.6%	-	-	-	-	-	(1,978,190)	(1,978,190)	-	-	-	-	-	(1,978,190)
Issuance of common stock from capital surplus	879,195	-	(879,195)	-	-	-	-	-	-	-	-	-	-
Adjustment of equity method investments	-	-	(9,510)	-	-	-	-	124,744	-	(22,109)	-	-	93,125
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	(9,290)	-	-	-	(2,467)	(11,757)
Disposal of treasury stock held by subsidiaries	-	-	1,271,532	-	-	-	-	-	-	-	3,975,384	-	5,246,916
Disposal of equity method investments	-	-	(1,472)	-	-	-	-	-	-	8	-	-	(1,464)
Cash dividends received by subsidiaries from parent company	-	-	37,536	-	-	-	-	-	-	-	-	-	37,536
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	105,351	-	-	-	-	105,351
Compensation recognized for employee stock options granted	-	-	319,147	-	-	-	-	-	-	-	-	-	319,147
Stock options exercised by employees	226,119	164,493	108,792	-	-	-	-	-	-	-	-	-	499,404
Net income in 2010	-	-	-	-	-	18,337,500	18,337,500	-	-	-	-	857,389	19,194,889
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(4,397,126)	-	-	(82,906)	(4,480,032)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(127,361)	-	(2,981)	(130,342)
Acquisition of treasury stock - 37,000 thousand shares	-	-	-	-	-	-	-	-	-	-	(1,185,205)	-	(1,185,205)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	(453,713)	(453,713)
Changes in minority interest from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(130,034)	(130,034)
BALANCE, DECEMBER 31, 2010	60,519,872	299,698	7,180,585	4,205,489	-	20,767,455	24,972,944	246,303	(1,120,618)	(398,103)	(3,144,312)	3,282,956	91,839,325
Appropriations of 2010 earnings (Note 21)													
Legal reserve	-	-	-	1,833,750	-	(1,833,750)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,272,417	(1,272,417)	-	-	-	-	-	-	-
Stock dividends - 11.5%	6,957,357	-	-	-	-	(6,957,357)	(6,957,357)	-	-	-	-	-	-
Cash dividends - 6.5%	-	-	-	-	-	(3,932,419)	(3,932,419)	-	-	-	-	-	(3,932,419)
Adjustment of equity method investments	-	-	(4,960)	-	-	-	-	(174,005)	-	(68,355)	-	-	(247,320)
Cash dividends received by subsidiaries from parent company	-	-	74,160	-	-	-	-	-	-	-	-	-	74,160
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	9,290	-	-	-	(1,470)	7,820
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	153,500	-	-	-	-	153,500
Compensation recognized for employee stock options granted	-	-	537,973	-	-	-	-	-	-	-	-	-	537,973
Stock options exercised by employees	428,403	(264,005)	424,928	-	-	-	-	-	-	-	-	-	589,326
Net income in 2011	-	-	-	-	-	13,725,958	13,725,958	-	-	-	-	252,991	13,978,949
Cumulative translation adjustments	-	-	-	-	-	-	-	-	4,474,556	-	-	95,701	4,570,257
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	777	-	3,079	3,856
Acquisition of treasury stock - 105,475 thousand shares	-	-	-	-	-	-	-	-	-	-	(2,772,634)	-	(2,772,634)
Retirement of treasury stock - 37,000 thousand shares	(370,000)	-	(815,205)	-	-	-	-	-	-	-	1,185,205	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	(44,294)	(44,294)
Changes in minority interest from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,476,005)	(2,476,005)
BALANCE, DECEMBER 31, 2011	67,535,632	35,693	7,397,481	6,039,239	1,272,417	20,497,470	27,809,126	235,088	3,353,938	(465,681)	(4,731,741)	1,112,958	102,282,494
Appropriations of 2011 earnings (Note 21)													
Legal reserve	-	-	-	1,372,596	-	(1,372,596)	-	-	-	-	-	-	-
Stock dividends - 14.0%	9,315,995	-	-	-	-	(9,315,995)	(9,315,995)	-	-	-	-	-	-
Cash dividends - 6.5%	-	-	-	-	-	(4,325,284)	(4,325,284)	-	-	-	-	-	(4,325,284)
Reversal of special reserve	-	-	-	-	(1,272,417)	1,272,417	-	-	-	-	-	-	-
Adjustment of equity method investments	-	-	2,168,684	-	-	-	-	148,355	-	(32,010)	-	-	2,285,029
Cash dividends received by subsidiaries from parent company	-	-	83,117	-	-	-	-	-	-	-	-	-	83,117
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	(26,122)	-	-	-	-	(26,122)
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	44,617	-	-	-	-	44,617
Compensation recognized for employee stock options granted	-	-	445,120	-	-	-	-	-	-	-	-	-	445,120
Stock options exercised by employees	144,619	70,478	100,593	-	-	-	-	-	-	-	-	-	315,690
Net income in 2012	-	-	-	-	-	13,091,359	13,091,359	-	-	-	-	457,549	13,548,908
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(3,233,951)	-	-	(61,874)	(3,295,825)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(334,226)	-	-	(334,226)
Retirement of treasury stock -105,475 thousand shares	(1,054,750)	-	(1,427,861)	-	-	(290,023)	(290,023)	-	-	-	2,772,634	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	1,435,550	1,435,550
BALANCE, DECEMBER 31, 2012	$ 75,941,496	$ 106,171	$ 8,767,134	$ 7,411,835	$ -	$ 19,557,348	$ 26,969,183	$ 401,938	$ 119,987	$ (831,917)	$ (1,959,107)	$ 2,944,183	$ 112,459,068
BALANCE, DECEMBER 31, 2012 (U.S. Dollars (Note 2))	$ 2,614,165	$ 3,655	$ 301,794	$ 255,141	$ -	$ 673,230	$ 928,371	$ 13,836	$ 4,130	$ (28,637)	$ (67,439)	$ 101,349	$ 3,871,224

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 19,194,889	$ 13,978,949	$ 13,548,908	$ 466,400
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	18,473,333	21,319,438	22,135,412	761,976
Amortization	1,381,140	1,625,958	1,278,879	44,023
Compensation cost for employee stock options granted	319,147	537,973	445,120	15,323
Provision for inventory valuation and obsolescence	340,268	433,418	519,431	17,881
Equity in earnings of equity method investments	(72,980)	(96,938)	(61,374)	(2,113)
Cash dividends received from equity method investments	20,589	27,452	54,904	1,890
Impairment loss	251,402	448,056	97,234	3,347
Deferred income taxes	55,764	460,403	571,176	19,662
Loss (gain) on disposal of property, plant and equipment	445,276	(82,485)	(43,607)	(1,501)
Others	(783,535)	683,748	(493,140)	(16,976)
Changes in operating assets and liabilities				
Financial assets for trading	(75,120)	488,518	(3,328,245)	(114,570)
Accounts receivable	(1,472,061)	765,343	(6,686,670)	(230,178)
Other receivables	(394,236)	376,945	80,096	2,757
Inventories	(2,171,624)	(1,191,659)	(1,728,671)	(59,507)
Inventories related to construction business	(2,874,177)	(3,908,426)	(752,520)	(25,904)
Other current assets	(132,716)	(697,969)	(807,780)	(27,807)
Financial liabilities for trading	410,778	(354,544)	332,874	11,459
Accounts payable	1,656,567	(3,197,294)	2,992,599	103,016
Income tax payable	1,462,879	(339,119)	383,718	13,209
Accrued expenses	2,239,267	1,095,081	534,821	18,410
Advance real estate receipts	(1,466,097)	6,292	119,350	4,108
Other current liabilities and other liabilities	156,341	(442,434)	(174,570)	(6,009)
Net cash provided by operating activities	36,965,094	31,936,706	29,017,945	998,896
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets	(16,670,994)	(1,700,000)	(838,443)	(28,862)
Proceeds from disposal of available-for-sale financial assets	20,883,928	2,078,725	770,163	26,512
Acquisition of financial assets carried at cost	(42,892)	(97,130)	(52,790)	(1,817)
Proceeds from disposal of financial assets carried at cost	-	-	54,180	1,865
Cash received from return of capital by financial assets carried at cost	28,556	24,308	34,598	1,191
Acquisition of equity method investments	-	(285,709)	-	-
Acquisition of subsidiaries	(6,181,583)	(2,106,203)	(261,607)	(9,006)
Cash received from return of capital by equity method investments	3,169	267,478	-	-
Cash paid for purchase of property, plant and equipment	(34,109,113)	(29,417,906)	(39,301,272)	(1,352,884)
Cash received from disposal of property, plant and equipment	261,010	1,292,012	385,164	13,259
Decrease (increase) in guarantee deposits	255,260	(40,405)	15,391	530
Decrease in other receivables	450,000	-	-	-
Decrease (increase) in restricted assets	(17,834)	55,505	19,368	667
Purchase of intangible assets	(231,813)	(1,158,835)	(895,466)	(30,825)
Increase in other assets	(713,149)	(942,537)	(23,250)	(800)
Net cash used in investing activities	(36,085,455)	(32,030,697)	(40,093,964)	(1,380,170)

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of) short-term borrowings	$ (2,714,111)	$ 8,810,615	$ 13,919,793	$ 479,167
Issuance of bonds payable	-	10,841,834	-	-
Proceeds from long-term bank loans	32,586,219	29,852,451	13,840,778	476,447
Repayments of long-term bank loans	(25,715,266)	(43,783,427)	(18,969,491)	(652,994)
Increase (decrease) in guarantee deposits received	(2,269)	(6,789)	3,234	111
Net changes in capital lease obligations	(77,111)	25,786	(14,521)	(500)
Cash dividends, net of cash dividends received by subsidiaries	(1,940,654)	(3,858,259)	(4,242,167)	(146,030)
Proceeds from exercise of stock options by employees	499,404	589,326	315,690	10,867
Repurchase of treasury stock	(1,185,205)	(2,772,634)	-	-
Increase (decrease) in minority interest	250,448	(41,537)	3,602,439	124,008
Net cash provided by (used in) financing activities	1,701,455	(342,634)	8,455,755	291,076
EFFECT OF EXCHANGE RATE CHANGES	(1,741,031)	1,460,857	(1,535,974)	(52,874)
NET INCREASE (DECREASE) IN CASH	840,063	1,024,232	(4,156,238)	(143,072)
CASH, BEGINNING OF YEAR	22,557,494	23,397,557	24,421,789	840,681
CASH, END OF YEAR	$ 23,397,557	$ 24,421,789	$ 20,265,551	$ 697,609
SUPPLEMENTAL INFORMATION				
Interest paid	$ 1,683,056	$ 1,784,181	$ 2,140,357	$ 73,678
Less: Capitalized interest	(296,827)	(263,307)	(248,839)	(8,566)
Interest paid excluding capitalized interest	$ 1,386,229	$ 1,520,874	$ 1,891,518	$ 65,112
Income tax paid	$ 2,110,097	$ 2,896,928	$ 2,081,690	$ 71,659
Cash paid for purchase of property, plant and equipment				
Purchase of property, plant and equipment	$ 34,761,050	$ 31,032,002	$ 38,893,116	$ 1,338,834
Decrease (increase) in payable for properties	(651,937)	(1,614,096)	408,156	14,050
	$ 34,109,113	$ 29,417,906	$ 39,301,272	$ 1,352,884
Cash received from disposal of property, plant and equipment				
Proceeds from disposal of property, plant and equipment	$ 290,165	$ 1,283,436	$ 343,039	$ 11,809
Decrease (increase) in other receivables	(29,155)	8,576	42,125	1,450
	$ 261,010	$ 1,292,012	$ 385,164	$ 13,259
FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS				
Current portion of long-term bank loans	$ 2,990,176	$ 3,418,799	$ 3,167,050	$ 109,021
Current portion of capital lease obligations	28,838	42,161	46,727	1,609
Payable to minority interest	718,023	-	-	-

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

In addition to the disclosures in Note 2 to the consolidated financial statements, the supplemental information regarding the acquisitions of newly consolidated subsidiaries is shown as follows:

a. Advanced Semiconductor Engineering, Inc. ("ASE Inc.") and its subsidiaries (collectively, the "Company") acquired shareholdings of Universal Scientific Industrial Co., Ltd. ("USI") in February 2010 and the net cash receipts and fair values of acquired assets and liabilities of USI at the acquisition date were shown as follows:

	NT$
Current assets	$ 29,599,348
Long-term investments	497,508
Property, plant and equipment, net	6,866,077
Other assets	4,743,627
Current liabilities	(19,490,014)
Long-term bank loans (including current portion)	(100,000)
Other liabilities	(365,877)
	21,750,669
Percentage of acquired shareholdings	60.07%
	13,065,626
Goodwill (Note 14)	409,430
Total consideration	13,475,056
Less: Acquired through delivery of treasury stock	(5,246,916)
	8,228,140
Less: Cash received of acquired company at the acquisition date	(8,842,323)
Net cash inflow from the acquisition	$ (614,183)

b. The Company acquired 100% shareholdings of EEMS Test Singapore Pte. Ltd. from its parent company, EEMS Asia Pte. Ltd. in August 2010. The net cash payments and fair values of acquired assets and liabilities of EEMS Test Singapore Pte. Ltd. at the acquisition date were shown as follows:

	NT$
Current assets	$ 659,669
Property, plant and equipment, net	1,472,944
Other assets	145,694
Current liabilities	(102,192)
Long-term bank loans (including current portion)	(108,077)
	2,068,038
Goodwill (Note 14)	236,287
Total consideration	2,304,325
Less: Cash received of acquired company at the acquisition date	(175,676)
Net cash outflow from the acquisition	$ 2,128,649

c. Power ASE Technology Inc. ("PowerASE") acquired 84.25% shareholdings of Lu - Chu Development Corporation ("Luchu") from Powerchip Technology Corporation ("PSC") and its affiliates in October and November 2011. The net cash payments and fair values of acquired assets and liabilities of Luchu at the acquisition date were shown as follows:

	NT$
Current assets	$ 1,636,455
Other assets	4
Current liabilities	(981)
Long-term bank loans	(60,000)
	1,575,478
Percentage of acquired shareholdings	84.25%
	1,327,339
Goodwill (Note 14)	38,899
Total consideration	1,366,238

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	NT$
Less: Cash received of acquired company at the acquisition date	$ (13,709)
Credit by accounts receivable	(1,000,000)
Other payables	(200,000)
Net cash outflow from the acquisition	$ 152,529

d. ASE Inc. acquired 100% shareholdings of Yang Ting Tech Co., Ltd. ("Yang Ting") in January 2012. The net cash payments and fair values of acquired assets and liabilities of Yang Ting at the acquisition date were shown as follows:

	NT$	US$
Current assets	$ 171,015	$ 5,887
Property, plant and equipment, net	265,902	9,153
Other assets	4,574	158
Current liabilities	(96,929)	(3,337)
Long-term bank loans	(44,800)	(1,542)
Other liabilities	(1,200)	(41)
	298,562	10,278
Goodwill (Note 14)	1,454	50
Total consideration	300,016	10,328
Less: Cash received of acquired company at the acquisition date	(38,409)	(1,322)
Net cash outflow from the acquisition	$ 261,607	$ 9,006

(Concluded)

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012
(Amounts in Thousands, Except Per Share Data and Unless Otherwise Stated)

1. ORGANIZATION

ASE Inc., a corporation incorporated under the laws of Republic of China (the "ROC"), offers a comprehensive range of semiconductors packaging, testing, and electronic manufacturing services ("EMS"). The common shares of ASE Inc. are traded on the Taiwan Stock Exchange (the "TSE") under the symbol "2311". Since September 2000, the common shares of ASE Inc. have been traded on the New York Stock Exchange under the symbol "ASX" in the form of ADS.

As of December 31, 2011 and 2012, the Company had approximately 51,400 and 57,300 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the accounting principles generally accepted in the Republic of China ("ROC GAAP"). Significant accounting policies are summarized as follows:

Basis of Presentation

The Company prepares its consolidated financial statements pursuant to ROC GAAP with a reconciliation to the accounting principles generally accepted in the United States of America ("U.S. GAAP") (Note 32). The accompanying consolidated balance sheets are presented as of December 31, 2011 and 2012, and the accompanying consolidated statements of income, changes in shareholders' equity and cash flows are presented for each of the three years in the period ended December 31, 2012.

Basis of Consolidation

The consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of ASE Inc. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities of the Company were as follows:

		Percentage of Ownership December 31		
Name of Investor	**Name of Investee**	**2011**	**2012**	**Remark**
ASE Inc.	A.S.E. Holding Limited ("ASE Holding")	100.0	100.0	Holding company
	J&R Holding Limited ("J&R Holding")	100.0	100.0	Holding company
	Innosource Limited ("Innosource")	100.0	100.0	Holding company

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	2012	Remark
	Omniquest Industrial Limited ("Omniquest")	70.6	70.6	Holding company
	ASE Marketing & Service Japan Co., Ltd.	100.0	100.0	Engaged in marketing and sales services
	ASE Test, Inc.	100.0	100.0	Engaged in the testing of semiconductors
	PowerASE	99.6	-	Engaged in the packaging and testing of semiconductors and was merged into ASE Inc. in May 2012
	USI	74.2	99.2	Engaged in the manufacturing, processing and sale of computers, computer peripherals and related accessories and the additional 25.0% ownership was restructured under common control from its subsidiaries in September 2012
	Yang Ting	-	100.0	Engaged in the packaging and testing of semiconductors
	Luchu	-	84.3	Engaged in the development of real estate properties and was restructured under common control from PowerASE
PowerASE	Luchu	84.3	-	As aforementioned
ASE Test, Inc.	Alto Enterprises Limited ("Alto")	100.0	100.0	Holding company
	Super Zone Holdings Limited ("Super Zone")	100.0	100.0	Holding company
Alto	ASE (Kun Shan) Inc. ("ASE Kun Shan")	47.1	33.0	Engaged in the packaging and testing of semiconductors
	ASE Investment (Kun Shan) Limited	-	100.0	Holding company and was established in June 2012
ASE Investment (Kun Shan) Limited	ASE Kun Shan	-	30.0	As aforementioned

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	2012	Remark
ASE Kun Shan	ASE Module (Kunshan) Inc.	-	80.0	Will engage in the production and sale of electronic components and the 80% ownership was acquired by cash injection in December 2012
Super Zone	Advanced Semiconductor Engineering (China) Ltd.	100.0	100.0	Will engage in the packaging and testing of semiconductors
ASE Holding	ASEP Realty Corporation	100.0	-	Liquidated in February 2012
	ASE Holding Electronics (Philippines), Incorporated	100.0	-	Liquidated in February 2012
	ASE Investment (Labuan) Inc.	70.0	70.0	Holding company
	ASE Test Limited (ASE Test)	10.2	10.2	Holding company
	USI	1.5	-	As aforementioned and the ownership was restructured under common control to ASE Inc.
ASE Investment (Labuan) Inc.	ASE (Korea) Inc.	100.0	100.0	Engaged in the packaging and testing of semiconductors
ASE (Korea) Inc.	ASE WeiHai Inc.	100.0	100.0	Engaged in the packaging and testing of semiconductors
J&R Holding	J&R Industrial Inc.	100.0	100.0	Engaged in leasing equipment and investing activity
	ASE Japan Co., Ltd.	100.0	100.0	Engaged in the packaging and testing of semiconductors
	ASE (U.S.) Inc.	100.0	100.0	After-sales service and sales support
	Global Advanced Packaging Technology Limited, Cayman Islands (“GAPT Cayman”)	100.0	100.0	Holding company
	Suzhou ASEN Semiconductors Co., Ltd. (“ASEN”)	60.0	60.0	Engaged in the packaging and testing of semiconductors
	Omniquest	8.5	8.5	Holding company
	ASE Test	89.8	89.8	Holding company

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	2012	Remark
	USI	8.2	-	As aforementioned and the ownership was restructured under common control to ASE Inc.
	Anstock Limited	100.0	100.0	Engaged in financing activity
Innosource	ASE Module (Shanghai) Inc. (“ASE Module Shanghai”)	100.0	100.0	Will engage in the production and sale of electronic components and printed circuit boards
	Omniquest	20.9	20.9	Holding company
ASE Module Shanghai	ASE (Shanghai) Inc. (“ASE Shanghai”)	0.6	0.6	Engaged in the production of substrates
Omniquest	ASE Corporation	100.0	100.0	Holding company
ASE Corporation	ASE Mauritius Inc.	100.0	100.0	Holding company
	ASE Labuan Inc.	100.0	100.0	Holding company
ASE Mauritius Inc.	ASE Hi-Tech (Shanghai) Inc.	100.0	-	Merged into ASE Shanghai in August 2012
	ASE Kun Shan	52.9	37.0	As aforementioned
	ASE Shanghai	98.8	98.8	As aforementioned
	ASE Module (Kunshan) Inc.	100.0	20.0	As aforementioned and the ownership decreased to 20% due to cash injection by ASE Kun Shan
ASE Shanghai	Shanghai Ding Hui Real Estate Development Co., Ltd. (“Shanghai DH”)	13.5	40.0	Engaged in the development, construction and sale of real estate properties
	Advanced Semiconductor Engineering (HK) Limited	100.0	100.0	Engaged in trading of substrates
	Universal Scientific Industrial (Shanghai) Co., Ltd. (“USISH”)	1.0	0.9	Engaged in the designing, manufacturing and sale of new electronic components
Shanghai DH	Shanghai Ding Wei Real Estate Development Co., Ltd.	100.0	100.0	Engaged in the development, construction and leasing of real estate properties
	Shanghai Ding Yu Real Estate Development Co., Ltd.	100.0	100.0	Engaged in the development, construction and leasing of real estate properties

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	Percentage of Ownership December 31 2012	Remark
	Kun Shan Ding Yue Real Estate Development Co., Ltd.	-	100.0	Engaged in the development, construction and leasing of real estate properties and was established in February 2012
	Kun Shan Ding Hong Real Estate Development Co., Ltd.	-	100.0	Engaged in the development, construction and leasing of real estate properties and was established in February 2012
ASE Labuan Inc.	ASE Electronics Inc. ("ASE Electronics")	100.0	100.0	Engaged in the production of substrates
ASE Test	ASE Test Holdings, Ltd.	100.0	100.0	Holding company
	ASE Holdings (Singapore) Pte Ltd	100.0	100.0	Holding company
	ASE Test Finance Limited	100.0	100.0	Engaged in financing activity
	ASE Investment (Labuan) Inc.	30.0	30.0	Holding company
	ASE Singapore Pte. Ltd. ("ASE Singapore")	100.0	100.0	Engaged in the packaging and testing of semiconductors
	USI	15.2	-	As aforementioned and the ownership was restructured under common control to ASE Inc.
ASE Test Holdings, Ltd.	ISE Labs, Inc.	100.0	100.0	Engaged in the testing of semiconductors
ASE Holdings (Singapore) Pte Ltd	ASE Electronics (M) Sdn. Bhd.	100.0	100.0	Engaged in the packaging and testing of semiconductors
GAPT Cayman	ASE Assembly & Test (HK) Limited	100.0	-	Liquidated in December 2012
	ASE Assembly & Test (Shanghai) Limited ("ASESH AT")	100.0	100.0	Engaged in the packaging and testing of semiconductors
ASESH AT	Shanghai Wei Yu Hong Xin Semiconductors Inc.	100.0	100.0	In the business development stage
	ASE Shanghai	0.6	0.6	As aforementioned
	Shanghai DH	86.5	60.0	As aforementioned
USI	Huntington Holdings International Co., Ltd. ("HHI")	100.0	100.0	Holding company
	Senetex Investment Co., Ltd.	100.0	100.0	Engaged in investing activity

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	2012	Remark
	Ta-Chi Investment Co., Ltd.	100.0	100.0	Engaged in investing activity
HHI	Universal Scientific Industrial Co. (UK) Limited	100.0	100.0	After-sales services
	Unitech Holdings International Co., Ltd.	100.0	100.0	Holding company
	Real Tech Holdings Limited (“RTH”)	100.0	100.0	Holding company
	USI International Limited	100.0	100.0	Engaged in the sale of motherboards and computer peripherals
	Universal ABIT Holding Co., Ltd.	100.0	100.0	Holding company
	Rising Capital Investment Limited (“RCI”)	100.0	100.0	Holding company
	Rise Accord Limited (“RA”)	100.0	100.0	Holding company
RCI	e-Cloud Corporation	100.0	100.0	Engaged in trading of computer systems
RA	Cubuy Corporation	100.0	100.0	Engaged in trading of computer systems
RTH	Universal Scientific Industrial (Kunshan) Co., Ltd.	100.0	100.0	Engaged in the manufacturing and sale of computer assistance system and related peripherals
	USI Enterprise Limited (USIE)	100.0	99.9	Holding company
USIE	USISH	99.0	88.6	As aforementioned
USISH	Universal Global Technology Co., Limited (“UG”)	100.0	100.0	Holding company
	Universal Global Technology (Kunshan) Co., Ltd.	100.0	100.0	Engaged in the designing and manufacturing of electronic components
	Universal Global Technology (Shenzhen) Co., Ltd. (“UGSZ”)	50.0	50.0	Engaged in the research and manufacturing of computer peripherals
	USI Electronics (Shenzhen) Co., Ltd (“USISZ”)	50.0	50.0	Engaged in the design, manufacturing and sale of motherboards and computer peripherals
UG	UGSZ	50.0	50.0	As aforementioned

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2011	2012	Remark
	Universal Global Industrial Co., Limited ("UGHK")	100.0	100.0	Holding company and engaged in manufacturing, trading and investing activity
	Universal Global Scientific Industrial Co., Ltd.	100.0	100.0	Engaged in the manufacturing of components of telecomm and cars and provision of related R&D services
	USI Manufacturing Service, Inc.	100.0	100.0	Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service
	USI Japan Co., Ltd.	100.0	100.0	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories
	USI @ Work, Inc.	100.0	100.0	After-sale service
	USISZ	50.0	50.0	As aforementioned
	Universal Scientific Industrial De Mexico S.A. De C.V. (USI Mexico)	99.9	99.9	Engaged in the assembling of motherboards and computer components
UGHK	USI Mexico	0.1	0.1	As aforementioned

(Concluded)

Changes in consolidated entities or shareholdings

a. USI Acquisition

In February 2010, in order to enhance the technical and business cooperation relationship, the Company launched a cash and stock tender offer to buy the additional outstanding common shares of USI not owned by the Company at a fixed price of NT$21 per share, which was comprised of a fixed 0.34 share of ASE Inc.'s common shares owned by the subsidiaries, J&R Holding and ASE Test, and a cash consideration determined pursuant to the formula (equivalent to NT$21 less 0.34 multiplied by the lowest of the average closing price of ASE Inc.'s common shares for the last one, three and five trading days prior to the last day of the tender offer period). The total consideration was NT$13,475,056 thousand of which 218,167 thousand shares of ASE Inc. were delivered by the subsidiaries (Note 21). In addition, ASE Inc. acquired additional outstanding common shares of USI not owned by the Company with a total consideration of NT$4,667,117 thousand in August 2010.

b. EEMS Test Singapore Pte. Ltd. Acquisition

The Company, through ASE Singapore, acquired 100% shareholdings of EEMS Test Singapore Pte. Ltd. from its parent company, EEMS Asia Pte. Ltd., in August 2010 with a total consideration of US$ 72,163 thousand. EEMS Test Singapore Pte. Ltd. was renamed to ASE Singapore II Pte. Ltd. and subsequently merged into ASE Singapore on January 1, 2011.

c. Acquisition of Outstanding Shareholdings of Subsidiaries

1) ASE Inc. launched a cash tender offer to buy 106,808 thousand shares of PowerASE in November and December 2011 with a total consideration of NT$1,972,194 thousand of which NT$1,081,071 thousand was offset by accounts receivable due from PSC, purchased from PowerASE. The ownership of PowerASE increased from 55.7% to 99.6% after the acquisition. PowerASE was subsequently merged into ASE Inc. in May 2012 and ASE Inc. also acquired the remaining outstanding 733 thousand shares with a consideration of NT$10,993 thousand (US$378 thousand) during the merge.

2) ASE Inc. acquried 50 thousand outstanding shares of ASE Test, Inc. for NT$4,282 thousand in December 2011. In addition, ASEAT SH acquired 10% outstanding shareholdings of Shanghai DH from a related party, Kunshan Ding Yao Real Estate Development Co., Ltd. (“Kunshan Ding Yao”), for NT$1,058,269 thousand (CNY221,500 thousand) in November 2011 (Note 27).

d. Luchu Acquisition

PowerASE acquired 84.25% shareholdings of Luchu from PSC and its affiliates in October and November 2011 with a total consideration of NT$1,366,238 thousand of which NT$1,000,000 thousand was credited by the accounts receivable due from PSC. Additional NT$200,000 thousand (US$ 6,885 thousand), recorded in long-term payables and other current liabilities as of December 31, 2011 and 2012, respectively, will be paid upon contractual agreements within two years subsequent to the settlement date, which was also the acquisition date. The ownership was restructured to be directly held by ASE Inc. from May 2012 since PowerASE was merged.

e. Yang Ting Acquisition

ASE Inc. acquired Yang Ting from third parties with a total consideration of NT$300,016 thousand (US$ 10,328 thousand) in January 2012.

f. Changes in shareholdings in USISH

The common shares of USISH have been traded on the Shanghai Stock Exchange (the “SSE”) under the symbol “601231” since February 2012 and USISH issued common stocks upon its publicly trading for CNY773,419 thousand. After the public offering, the shareholdings of USISH decreased from 99.2% to 88.7% due to the Company subscribed for the additional shares at a percentage different from its original ownership percentage and the Company also recorded NT$2,172,901 thousand (US$74,799 thousand) as capital surplus.

The aforementioned acquisitions from a. to e. were accounted for as purchase accounting as prescribed by ROC Statement of Financial Accounting Standards (“SFAS”) No. 25, “Business Combinations-Accounting Treatment under Purchase Method” (“ROC SFAS No. 25”), and the purchase price has been reflected in the Company’s consolidated financial statements since acquisition dates. These acquisitions resulted in stepping up acquirees’ net assets to the fair value of the acquired interests.

Had the Company acquired the aforementioned shareholdings on January 1, 2011, the pro forma information was as follows:

	Year Ended December 31		
	2011	2012	
	NT$	NT$	US$
Net revenue	185,751,552	193,972,392	6,677,191
Net income	13,664,825	13,548,908	466,400
Attributable to			
Shareholders of the parent	13,644,239	13,091,359	450,649
Minority interest	20,586	457,549	15,751
	13,664,825	13,548,908	466,400
Earnings per share after tax			
Basic EPS (in dollar)	1.82	1.76	0.06
Diluted EPS (in dollar)	1.77	1.71	0.06

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

The functional and reporting currency of ASE Inc. is New Taiwan dollars, while the functional currencies of its major foreign subsidiaries are their local currencies, namely, the U.S. dollar, Japanese yen, Korea Won, PRC Renminbi and Malaysia Ringgit, respectively.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;

b. Shareholders' equity - at historical exchange rates; and

c. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign subsidiaries are recognized as a separate component of shareholders' equity.

Non-derivative foreign-currency transactions are recorded in local currencies at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates. When a gain or loss on a nonmonetary item is recognized in shareholders' equity, any exchange component of that gain or loss shall be recognized in shareholders' equity. Conversely, when a gain or loss on a nonmonetary item is recognized in earnings, any exchange component of that gain or loss shall be recognized in earnings.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Accounting Estimates

The preparation of consolidated financial statements in conformity with the guidelines and ROC GAAP as aforementioned requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets include cash, and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months from the balance sheet date. All other liabilities are classified as noncurrent.

Because the Company's real estate business has an operating cycle longer than one year, its classification of current or noncurrent assets and liabilities related to the real estate business is based on its operating cycle.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to the initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized on a settlement date basis.

A derivative that does not qualify for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair value is determined as follows: publicly traded stocks - the closing-price at the balance sheet date; Open-end mutual funds - the net asset value; structured time deposit, dual currency deposit and other financial instruments with no quoted price in an active market - using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value of financial assets are reported in a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized on a settlement date basis.

The recognition, derecognition and the basis for fair value of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares without any increment in carrying amount. The total number of shares subsequent to the increase is used for recalculation of cost per share.

If certain objective evidence indicates that an available-for-sale financial asset is impaired, a loss is recognized currently; if, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Hedging Accounting

Derivatives that are designated and effective as hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

a. Fair value hedge

   The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same year or years during which the hedged forecasted transaction or an asset or liability arising from the hedged forecasted transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. The accounting for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. If certain objective evidence indicates that such a financial asset is impaired, a loss is recognized immediately. A subsequent reversal of such impairment loss is not allowed.

Bond Investments with No Active Market

Bond investments with no quoted prices in an active market and with fixed or determinable payments are carried at amortized cost using the effective interest method. Those financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized when the financial assets are derecognized, impaired or amortized.

If certain objective evidence indicates that a bond investment with no active market is impaired, a loss is recognized currently. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period. The Company first assesses whether objective evidence of impairment exists individually for accounts receivable, then includes in a group basis with historical collection experience and similar credit risk characteristics and collectively assesses them for impairment.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. The amount of the impairment loss recognized is the difference between the carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate.

Impairment of Assets

When an asset's (primarily property, plant and equipment, intangible assets and equity method investments) recoverable amount is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recording an impairment loss. When the recoverable amount subsequently increases, the impairment loss previously recognized is reversed and recorded as a gain. However, the carrying amount of an asset (other than goodwill) after the reversal of the impairment loss should not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, as if no impairment loss had been recognized.

Allowances for Sales Discount

Allowances for sales discounts are recorded in the same year the related revenue is recognized on the basis of historical experience, management's judgment, and relevant factors. The allowance balance is netted against total revenues in the consolidated statement of income.

Inventories and Inventories Related to Construction 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 on an item by item basis. Net realizable value is the estimated selling price of inventories less all estimated costs to complete production and selling expenses necessary to make the sale. Raw materials and supplies are recorded at moving average cost; work in process and finished goods are recorded at standard cost and adjusted to the approximate weighted average cost at the balance sheet date.

Inventories related to construction 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 prepayment for land use rights before obtaining the title of ownership. Prior to the completion, 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 of the construction. 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 on an item by item basis. The amounts received in advance for real estate property 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 property 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.

Equity Method Investments

Investments in companies of which the Company owns at least 20% of the outstanding voting shares or where the Company exercises significant influence over the investee companies' operating and financial policy and decisions are accounted for using the equity method. The acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired, representing goodwill, shall not be amortized.

Gains or losses from downstream or upstream transactions with equity method investees are eliminated in proportion to the Company's percentage of ownership in the investee.

When the Company subscribes for additional investees' shares at a percentage different from its original percentage of ownership in the investees, the resulting carrying amount of the investment in the investees differs from the amount of the Company's share in the investee's net equity. The Company records such a difference as an adjustment to equity method investments with the corresponding amount charged or credited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investment is insufficient, the difference is debited to retained earnings.

Business Combination

Acquisitions are accounted for using the purchase method of accounting under ROC SFAS No. 25. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given and liabilities incurred or assumed, by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable net assets.

The interest of minority shareholders in the acquiree is measured at historical cost.

Property, Plant and Equipment and Idle Assets

Except for land, which is stated at cost, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while maintenance and repairs are expensed as incurred.

Assets held under capital leases are initially recognized as assets of the Company at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as capital lease obligations. The interest included in lease payments is expensed when incurred.

Depreciation is computed using the straight-line method over estimated service lives, which range as follows: buildings and improvements, 2 to 60 years; machinery and equipment, transportation equipment and furniture and fixtures, 2 to 10 years; and leased assets and leasehold improvements, 3 to 6 years.

Idle assets are stated at the lower of fair value or carrying amount. The carrying amount in excess of the fair value is recognized as an impairment loss. The remaining book value is depreciated using the straight-line method.

When property, plant and equipment and idle assets are retired or disposed of, their cost, accumulated depreciation and accumulated impairment are removed from the accounts and any gain or loss is credited or charged to non-operating income or losses.

Intangible Assets

Land use rights and other intangible assets purchased are initially recorded at cost. Land use rights and other intangible assets arising from business acquisitions are initially recorded at fair value at the date of acquisition.

Intangible assets are amortized based on the pattern in which the economic benefits are consumed or using the straight-line method over the estimated service lives, which range as follows: land use rights, 50 to 60 years; and others, 3 to 20 years.

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of identifiable net assets acquired. Goodwill is not amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicates that the fair value of goodwill is below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred Charges

Deferred charges mainly consist of tools and computer systems software. Amortization of deferred charges is computed on a straight-line basis over 2 to 5 years. For the years ended December 31, 2010, 2011 and 2012, the amortization expense was NT$704,089 thousand, NT$883,470 thousand and NT$504,775 thousand (US$17,376 thousand), respectively.

Pension Cost

Pension cost under defined benefit plans are determined by actuarial valuations. Contributions made under defined contribution plans are recognized as pension cost during the period in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plans are recognized as part of the net pension cost for the year.

Income Taxes

The Company applies intra-period and inter-period allocations to its income tax, whereby deferred income tax assets and liabilities are recognized for (1) the items adjusted directly in shareholders' equity and (2) the tax effects of temporary differences, loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

The taxable temporary differences between the book value and tax basis of equity method investments in foreign subsidiaries are not recognized as deferred income tax liabilities since the Company could control the timing of reversal of the temporary differences and would not reverse them in the foreseeable future and will, in effect, exist indefinitely.

Any tax credits arising from purchases of machinery, equipment and technology and research and development expenditures are recognized using the flow-through method.

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

Income tax on undistributed earnings is recorded by ASE Inc. and subsidiaries under jurisdiction of ROC at the rate of 10% and is recorded as an expense in the year shareholders resolve the distribution of earnings.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under ROC SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted on or before December 31, 2007 were accounted for under the interpretations issued by the ROC Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When ASE Inc. retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - capital in excess of par value are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and capital surplus - capital in excess of par value, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. When treasury stock is disposed of, the book value of the treasury stock is removed from the accounts. When the selling price of the treasury stock exceeds the book value of the treasury stock, the difference is credited to capital surplus - treasury stock transactions.

ASE Inc.'s shares held by its subsidiaries are accounted for as treasury stock and, accordingly, the cost of such shares is reclassified from equity method investments to treasury stock. Cash dividends received by subsidiaries from ASE Inc. are recorded as capital surplus - treasury stock transactions.

Revenue Recognition

Revenues from semiconductor packaging and testing services are recognized upon completion of the services or shipment. Revenue from electronic manufacturing services is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment. The amounts received in advance of real estate property 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 property are transferred to customers. Revenue from others is recognized upon completion of the services or delivery of goods because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenues are determined using the fair value taking into account related sales discounts agreed by the Company and customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received or receivable.

Research and Development Costs

Research and development costs are charged to expenses as incurred.

U.S. Dollar Amounts

The Company prepares its consolidated financial statements in New Taiwan dollars. 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 dollars at the exchange rate as set forth in the statistical release of the Federal Reserve Board, which was NT$29.05 to US$1.00 as of December 31, 2012. The translation should not be construed as a representation that the New Taiwan dollar 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.

3. ACCOUNTING CHANGE

Recognition and Measurement of Financial Instruments

From January 1, 2011, the Company adopted the newly revised ROC SFAS No. 34, "Financial Instrument: Recognition and Measurement." The main revisions require that loans and receivables originated by the Company are now covered by ROC SFAS No. 34. This accounting change did not have a material impact on the Company's consolidated financial statements as of and for the year ended December 31, 2011.

4. CASH

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Cash on hand	10,240	8,721	300
Checking and saving accounts	13,879,155	13,575,159	467,303
Time deposits	10,532,394	6,681,671	230,006
	24,421,789	20,265,551	697,609

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Financial assets designated as at fair value through profit or loss - current			
Dual currency deposits	-	2,178,381	74,987
Structured time deposits	-	1,644,601	56,613
Financial assets for trading - current			
Open-end mutual funds	170,581	171,802	5,914
Swap contracts	478,504	18,890	650
Quoted stocks	46,858	18,000	620
Forward exchange contracts	10,812	3,326	114
	706,755	4,035,000	138,898
Financial liabilities for trading - current			
Swap contracts	81,450	423,366	14,574
Forward exchange contracts	13,944	35,883	1,235
Foreign currency option contracts	-	7,899	272
Cross currency swap contracts	38,880	-	-
	134,274	467,148	16,081

The Company entered into derivative contracts to manage exposures to foreign exchange risk and interest rate risks. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting except those described in Note 26h.

Information regarding such derivative transactions not qualified for hedge accounting was as follows:

a. Swap contracts

The outstanding swap contracts of the Company as of December 31, 2011 and 2012 were as follows:

Currency	Maturity Period	Contract Amount (In Thousands)
December 31, 2011		
NT$/US$	2012.01-2012.12	NT$19,936,501/US$677,600
US$/NT$	2012.01-2012.03	US$96,500/NT$2,854,357
US$/JPY	2012.01-2012.12	US$72,260/JPY5,600,000
US$/EUR	2012.01	US$1,992/EUR1,500
December 31, 2012		
NT$/US$	2013.01-2013.12	NT$29,616,245/US$1,011,500
US$/NT$	2013.01-2013.04	US$182,500/NT$5,315,035
US$/JPY	2013.01-2013.02	US$63,961/JPY5,280,000
US$/CNY	2013.06	US$40,000/CNY251,940

b. Forward exchange contracts

The outstanding forward exchange contracts of the Company as of December 31, 2011 and 2012 were as follows:

Currency	Maturity Period	Contract Amount (In Thousands)
December 31, 2011		
US$/JPY	2012.01	US$31,500/JPY2,454,249
US$/NT$	2012.01-2012.03	US$68,000/NT$2,055,270
US$/MYR	2012.01-2012.03	US$16,000/MYR50,522
US$/EUR	2012.01	US$2,354/EUR1,800
US$/KRW	2012.01	US$42,000/KRW48,435,800
US$/SGD	2012.01-2012.02	US$5,500/SGD7,141
EUR/US$	2012.01-2012.02	EUR1,500/US$2,046
December 31, 2012		
US$/JPY	2013.01-2013.02	US$35,297/JPY2,945,751
US$/CNY	2013.01-2013.04	US$37,000/CNY232,230
US$/MYR	2013.01-2013.02	US$8,000/MYR24,549
US$/EUR	2013.01	US$1,444/EUR1,128
US$/KRW	2013.01	US$18,000/KRW19,368,700
US$/SGD	2013.01-2013.03	US$9,500/SGD11,594
EUR/US$	2013.01-2013.02	EUR500/US$658
NT$/US$	2013.02	NT$29,104/US$1,000

c. The outstanding foreign currency option contracts of the Company as of December 31, 2012 were as follows:

Contract	Maturity Period	Contract Amount (In Thousands)
Sell US$ Put/NT$ Call	2015.05	US$4,000/NT$111,400
Sell US$ Put/NT$ Call	2015.05	US$4,000/NT$111,100
Buy US$ Call/NT$ Put	2015.05	US$2,000/ NT$55,700
Buy US$ Call/NT$ Put	2015.05	US$2,000/ NT$55,550

Note: The contracts will be settled once a month and the counterparty has the right to early terminate the contracts.

d. Cross currency swap contracts

As of December 31, 2011, the notional amount of the outstanding cross currency swap contracts of the Company was US$30,000 thousand against NT$869,400 thousand. Interest receipt and payment are based on stated interest rates. The contracts were all matured in August 2012.

For the years ended December 31, 2010, 2011 and 2012, the net gain on valuation of financial assets at FVTPL was NT$1,169,434 thousand, NT$1,118,488 thousand and NT$420,845 thousand (US$14,487 thousand), respectively; the net loss on valuation of financial liabilities at FVTPL was NT$1,092,316 thousand, NT$250,435 thousand and NT$1,138,509 thousand (US$39,191 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Quoted stocks	197,052	301,146	10,366
Private-placement shares	24,827	67,146	2,311
	221,879	368,292	12,677
Current portion	(48,794)	(48,266)	(1,661)
Noncurrent portion	173,085	320,026	11,016

For the years ended December 31, 2010, 2011 and 2012, the other-than-temporary impairment loss of available-for-sale financial assets was NT$2,680 thousand, NT$87,253 thousand and NT$5,409 thousand (US$186 thousand), respectively.

7. BOND INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

The bond investment was a 3-year unsecured convertible corporate bond with a coupon rate of 3.00% issued by SiPhoton, Inc. with a face value of US$3,000 thousand and warrants. The maturity of debt host contract of the investment was extended one year to October 2013. In 2011, the Company exercised the warrants to purchase 545 thousand shares at the amount of US$1,500 thousand and recorded the investment as financial assets carried at cost - noncurrent (Note 11).

8. ACCOUNTS RECEIVABLE, NET

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Accounts receivable	30,727,988	37,503,628	1,291,003
Allowance for doubtful accounts	(128,869)	(80,137)	(2,759)
Allowance for sales returns and discounts	(123,331)	(210,904)	(7,260)
	30,475,788	37,212,587	1,280,984

The information regarding factored accounts receivable of the Company was as follows:

Counterparties	Receivables Sold (In Thousands)	Amounts Collected (In Thousands)	Advances Received at Year-End (In Thousands)	Interest Rates on Advances Received (%)	Revolving Credit Line (In Thousands)
Year ended December 31, 2011					
Citi bank	US$ 204,324	US$ 150,846	US$ 53,478	1.50	US$ 95,000
	NT$ 447,415	NT$ 447,415	NT$ -	-	
Taishin bank	US$ 8,141	US$ 8,141	US$ -	-	US$ 9,300
Year ended December 31, 2012					
Citi bank	US$ 278,498	US$ 201,854	US$ 76,644	1.06	US$ 92,000

Pursuant to the factoring agreement, the losses from disputes (such as sales returns and discounts) shall be borne by the Company, while losses from credit risk shall be borne by the banks. As of December 31, 2011 and 2012, the Company has issued a promissory note of US$28,930 thousand and US$27,000 thousand, respectively, as collateral.

9. INVENTORIES

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Finished goods	3,616,381	4,509,187	155,222
Work in process	1,563,509	1,696,739	58,408
Raw materials	7,715,521	7,885,749	271,454
Supplies	515,069	622,605	21,432
Materials and supplies in transit	510,277	456,762	15,723
	13,920,757	15,171,042	522,239

The cost of inventories sold recognized as cost of revenues for the years ended December 31, 2010, 2011 and 2012 was NT$146,829,805 thousand, NT$150,269,610 thousand and NT$156,781,270 thousand (US$5,396,946 thousand), respectively, which included NT$340,268 thousand, NT$433,418 thousand and NT$519,431 thousand (US$17,881 thousand), respectively, due to write-downs of inventories.

10. INVENTORIES RELATED TO CONSTRUCTION BUSINESS

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Land and buildings held for sale	633,078	323,910	11,150
Construction in progress	11,753,404	11,924,683	410,488
Land held for construction	1,616,743	1,616,743	55,654
Prepayment for land use rights	2,146,273	3,036,682	104,533
	16,149,498	16,902,018	581,825

A portion of land and buildings held for sale in Shanghai Zhangjiang was completed and sold from 2010 to 2012. The construction loss of NT$37,771 thousand was recognized for the year ended December 31, 2011 while the construction profit of NT$1,037,318 thousand and NT$316,999 thousand (US$10,912 thousand) was recognized for the years ended December 31, 2010 and 2012, respectively. The remaining projects are expected to be completed before the end of 2015. The capitalized interest expense for the years ended December 31, 2010, 2011 and 2012 is presented in Note 13.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Limited partnership	447,112	449,157	15,461
Unquoted common shares (Note 7)	384,193	355,089	12,223
Unquoted preferred shares	61,978	23,636	814
	893,283	827,882	28,498

For the years ended December 31, 2010, 2011 and 2012, the other-than-temporary impairment loss of financial assets carried at cost - noncurrent was nil, nil and NT$18,284 thousand (US$629 thousand).

12. EQUITY METHOD INVESTMENTS

	December 31				
	2011		2012		
	NT$	% of Owner - ship	NT$	US$ (Note 2)	% of Owner - ship
Listed company					
Hung Ching Development & Construction Co. (“HCDC”)	1,124,692	26.2	1,138,690	39,198	26.2
Unlisted companies					
Hung Ching Kwan Co. (“HCK”)	329,817	27.3	379,482	13,063	27.3
StarChips Technology Inc. (“SCT”)	47,856	33.3	47,856	1,647	33.3
	1,502,365		1,566,028	53,908	
Deferred gain on transfer of land	(300,149)		(300,149)	(10,332)	
Accumulated impairment - SCT	(47,856)		(47,856)	(1,647)	
	1,154,360		1,218,023	41,929	

Market values of the listed equity method investment as of December 31, 2011 and 2012 were NT$775,517 thousand and NT$895,619 thousand (US$30,830 thousand), respectively.

In March and April 2011, Shanghai DH, invested CNY64,500 thousand in CP Mingchuang Enterprise Development Fund which were scheduled to engage in the development of real estate properties. However, the limited partnership agreement was cancelled in November 2011 and Shanghai DH received CNY60,000 thousand as the return of capital.

The Company recorded equity in earnings of equity method investments and the details were as follows:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
HCDC	57,640	131,546	11,708	403
USI	27,986	-	-	-
Others	(12,646)	(34,608)	49,666	1,710
	72,980	96,938	61,374	2,113

For the years ended December 31, 2010, 2011 and 2012, the other-than-temporary impairment loss of equity method investment - SCT was NT$41,739 thousand, NT$6,117 thousand and nil, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Buildings and improvements	18,608,406	21,480,561	739,434
Machinery and equipment	114,013,568	118,372,789	4,074,795
Transportation equipment	197,510	207,017	7,126
Furniture and fixtures	3,888,329	4,079,350	140,425
Leased assets and leasehold improvements	415,259	128,186	4,413
	137,123,072	144,267,903	4,966,193

Information regarding capitalized interest expense was as follows:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Total interest expense including capitalized interest	1,682,838	1,929,632	2,253,154	77,561
Less: Capitalized interest				
Included in inventories related to construction business	(196,669)	(130,283)	(46,476)	(1,600)
Included in property, plant and equipment	(100,158)	(133,024)	(202,363)	(6,966)
Interest expense	1,386,011	1,666,325	2,004,315	68,995

(Continued)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Capitalization rate				
Inventories related to construction business	4.78%-5.31%	4.78%-6.72%	5.23%-7.22%	
Property, plant and equipment	0.71%-3.65%	1.26%-4.68%	1.62%-5.88%	

(Concluded)

For the years ended December 31, 2010, 2011 and 2012, the impairment loss of property, plant and equipment was NT$169,860 thousand, NT$234,301 thousand and NT$53,224 thousand (US$1,833 thousand), respectively.

14. INTANGIBLE ASSETS

The movements of intangible assets other than deferred pension cost were as follows:

			Other Intangible Assets		
	Goodwill	Land Use Rights	Patents	Acquired Special Technology	Customer Relationship and Others
	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2011	10,408,023	2,173,907	721,909	342,726	1,549,226
Additions					
Purchase	-	1,142,234	7,700	-	8,901
From acquisition	59,534	-	-	-	-
Amortization	-	(44,247)	(245,484)	(141,818)	(310,939)
Impairment	(38,899)	-	-	-	-
Reclassification	(125,097)	(5,141)	414	-	-
Translation adjustment	70,940	153,947	3,216	-	329
Balance at December 31, 2011	10,374,501	3,420,700	487,755	200,908	1,247,517
Additions					
Purchase	-	490,020	3,611	-	401,835
From acquisition	1,454	-	-	-	-
Amortization	-	(52,617)	(245,477)	(141,818)	(334,192)
Reclassification	(3,823)	-	219	-	106,447
Translation adjustment	(65,309)	(121,445)	(1,734)	-	(4,060)
Balance at December 31, 2012	10,306,823	3,736,658	244,374	59,090	1,417,547

			Other Intangible Assets		
	Goodwill	Land Use Rights	Patents	Acquired Special Technology	Customer Relationship and Others
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
Balance at January 1, 2012	357,126	117,752	16,790	6,916	42,944
Additions					
Purchase	-	16,868	124	-	13,833
From acquisition	50	-	-	-	-
Amortization	-	(1,811)	(8,450)	(4,882)	(11,504)
Reclassification	(132)	-	8	-	3,664
Translation adjustment	(2,248)	(4,181)	(60)	-	(140)
Balance at December 31, 2012	354,796	128,628	8,412	2,034	48,797

The goodwill arising from acquisition was related to the acquisitions of PowerASE, Luchu and Shanghai DH in 2011 and the acquisition of Yang Ting in 2012, respectively (Note 2). The Company had completed the purchase price allocation for the acquisition of ASE Singapore II Pte. Ltd. in 2011 and reclassified the purchase premium from goodwill to related assets. Other purchase price allocations for the acquisitions aforementioned were all completed in the year of acquisition.

15. IDLE ASSETS

	December 31		
	2011	**2012**	
	NT$	**NT$**	**US$ (Note 2)**
Cost			
Land	232,681	232,681	8,010
Buildings and improvements	1,304,970	1,271,727	43,777
Machinery and equipment	399,849	242,285	8,340
Furniture and fixtures	119,715	115,748	3,985
	2,057,215	1,862,441	64,112
Accumulated depreciation	(820,115)	(712,392)	(24,523)
Accumulated impairment	(123,046)	(57,547)	(1,981)
	1,114,054	1,092,502	37,608

Idle assets mainly included USI's Nankuan plant and ASE Electronics' Flip-chip production line. The Company recognized the impairment loss of idle assets at NT$37,123 thousand, NT$81,486 thousand and NT$20,317 thousand (US$699 thousand) for the years ended December 31, 2010, 2011 and 2012, respectively.

16. SHORT-TERM BORROWINGS

Short-term borrowings represented revolving bank loans with annual interest rates of 0.96%-7.32% and 0.80%-6.93% as of December 31, 2011 and 2012, respectively.

17. ACCRUED EXPENSES

	December 31		
	2011	**2012**	
	NT$	**NT$**	**US$ (Note 2)**
Accrued salaries and bonus	3,288,844	3,974,619	136,820
Accrued employee bonus and compensation to directors and supervisors	1,719,333	1,457,758	50,181
Others	3,931,542	4,068,053	140,036
	8,939,719	9,500,430	327,037

18. BONDS PAYABLE

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Secured domestic bonds - secured by banks			
Repayable at maturity in August 2016; interest paid annually with annual interest rate 1.45%	8,000,000	8,000,000	275,387
Secured overseas bonds - secured by ASE Inc. and issued in Hong Kong			
CNY150,000 thousand, repayable at maturity in September 2014; interest paid semi-annually with annual interest rate 3.13%	720,730	693,024	23,856
CNY500,000 thousand, repayable at maturity in September 2016; interest paid semi-annually with annual interest rate 4.25%	2,402,435	2,310,079	79,521
	11,123,165	11,003,103	378,764
Unamortized issuance cost	(246,627)	(198,552)	(6,835)
	10,876,538	10,804,551	371,929

19. LONG-TERM BANK LOANS

Long-term bank loans consisted of the following:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Loans for specified purposes	8,460,200	3,034,810	104,469
Working capital bank loans	33,636,543	33,535,197	1,154,396
Mortgage loans	643,106	428,079	14,736
	42,739,849	36,998,086	1,273,601
Current portion	(3,418,799)	(3,167,050)	(109,021)
	39,321,050	33,831,036	1,164,580
Unamortized arrangement fee	(54,636)	(47,871)	(1,648)
	39,266,414	33,783,165	1,162,932

a. Loans for specified purposes

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Syndicated bank loan (Led by Citi bank)			
Repayable through March 2013 in semi-annual installments, annual interest rate was 2.08% and 2.06% as of December 31, 2011 and 2012, respectively	7,612,500	2,537,500	87,350

(Continued)

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Others, annual interest rate was 1.78%-2.15% and 1.76%-1.97% as of December 31, 2011 and 2012, respectively	847,700	497,310	17,119
	8,460,200	3,034,810	104,469
			(Concluded)

Pursuant to the syndicated loan agreements led by Citi bank, ASE Inc. should hold no less than 51%, directly or indirectly, of ASE Test's shareholdings and maintain control over ASE Test at all time.

b. Working capital bank loans

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Syndicated bank loans - repayable through June 2015, annual interest rate was 1.05%-1.54% and 0.96%-1.95% as of December 31, 2011 and 2012, respectively			
ASE Inc.	14,466,000	10,121,143	348,404
Others	2,670,255	1,472,328	50,683
Others - repayable through October 2015, annual interest rate was 0.95%-6.05% and 0.90%-6.15% as of December 31, 2011 and 2012, respectively			
ASE Inc.	7,576,400	15,193,680	523,018
ASE Kun Shan	3,481,625	3,267,000	112,461
USI	2,729,036	1,092,708	37,615
Others	2,713,227	2,388,338	82,215
	33,636,543	33,535,197	1,154,396

c. Mortgage loans

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Repayable through June 2018, annual interest rate was 1.36%-2.42% and 1.40%- 1.44% as of December 31, 2011 and 2012, respectively			
USI	583,106	428,079	14,736
Luchu	60,000	-	-
	643,106	428,079	14,736

Pursuant to the above loan agreements, the Company should maintain certain financial ratios including current ratio, debt ratio, tangible net worth and interest coverage ratio. Such financial ratios are calculated based on subsidiaries' annual audited financial statements or the Company's annual audited consolidated financial statements or semi-annual reviewed consolidated financial statements. As of December 31, 2011 and 2012, the Company was in compliance with all of the loan covenants.

As of December 31, 2011 and 2012, loans of NT$9,208,143 thousand and NT$5,557,386 thousand (US$191,304 thousand), respectively, would mature within one year. The Company, however, had obtained new long term credit lines to refinance the loans on a long-term basis before December 31, 2011 and 2012, respectively, and therefore such loans were not classified as current portion of long-term bank loans.

Long-term bank loans by currencies were summarized as follows:

	December 31	
	2011	**2012**
New Taiwan dollars	NT$ 21,360,808	NT$ 17,071,145
U.S. dollars	US$ 706,162	US$ 686,082
CNY dollars	CNY -	CNY 673

As of December 31, 2012, the future maturities of bonds payable (Note 18) and long-term bank loans were as follows:

	NT$	**US$ (Note 2)**
2013	8,724,436	300,325
2014	21,813,425	750,893
2015	6,958,667	239,541
2016	10,387,912	357,587
2017 and thereafter	116,749	4,019
	48,001,189	1,652,365

20. PENSION PLANS

Defined Contribution Pension Plans

a. Based on the pension plan under the ROC Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. According to local regulations, the subsidiaries in China, United States of America, Malaysia, Singapore and Mexico also make contributions at various ranges.

Under defined contribution plans, the Company recognized pension costs of NT$649,616 thousand, NT$872,440 thousand and NT$1,103,941 thousand (US$38,001 thousand) for the years ended December 31, 2010, 2011 and 2012, respectively.

Defined Benefit Pension Plans

a. The Company has a defined benefit pension plan under the ROC Labor Standards Law ("LS Law"). The pension benefits are calculated based on the length of service and average base salary in the six months prior to retirement. The Company contributes a certain percentage of monthly salaries of its ROC employees to a retirement fund, which is deposited with the Bank of Taiwan.

Under the LS Law, the government is responsible for the administration of the fund and determination of the investment strategies and policies.

As of December 31, 2011 and 2012, the asset allocation in the retirement fund was primarily in cash, equity securities and debt securities. Furthermore, under the LS Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by local banks. The government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

b. ASE Japan has a pension plan under which eligible employees with more than ten years of service are entitled to receive pension benefits based on their length of service and salary at the time of termination. In August 2011, part of the plan had been amended as a defined contribution pension plan which resulted in reduction in projected benefit obligation and plan assets. In addition, ASE Korea also has a pension plan under which eligible employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with ASE Korea, based on their length of service and salary at the time of termination.

c. In addition, ASE Inc., ASE Test, Inc. and ASE Electronics maintain pension plans for executive managers. Pension costs for the plans were NT$44,844 thousand, NT$8,174 thousand and NT$34,571 thousand (US$1,190 thousand) for the years ended December 31, 2010, 2011 and 2012, respectively. Pension payments were NT$2,666 thousand, NT$2,666 thousand and NT$37,642 thousand (US$1,296 thousand) for the years ended December 31, 2010, 2011 and 2012, respectively. As of December 31, 2011 and 2012, accrued pension costs for executive managers were NT$209,299 thousand and NT$206,228 thousand (US$7,099 thousand), respectively.

Information about defined benefit pension plans regarding a. and b. aforementioned is summarized as follows:

a. Pension costs for these entities consist of:

	Year Ended December 31			
	2010	**2011**	**2012**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Service cost	371,242	435,880	312,416	10,755
Interest	124,386	108,305	145,420	5,006
Projected return on plan assets	(29,836)	(32,397)	(46,180)	(1,590)
Amortization	52,828	82,713	88,609	3,050
Curtailment and settlement gain	-	(56,419)	-	-
	518,620	538,082	500,265	17,221

b. Other pension information based on actuarial calculations of the plans is as follows:

	December 31		
	2011	**2012**	
	NT$	**NT$**	**US$ (Note 2)**
Benefit obligation			
Vested benefit obligation	2,315,106	2,940,270	101,214
Non-vested benefit obligation	2,593,589	2,880,940	99,172
Accumulated benefit obligation	4,908,695	5,821,210	200,386
Additional benefit based on future salaries	1,479,244	1,680,188	57,838

(Continued)

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Projected benefit obligation	6,387,939	7,501,398	258,224
Fair value of plan assets	(1,961,355)	(2,682,803)	(92,352)
Funded status	4,426,584	4,818,595	165,872
Unrecognized net transition obligation	(40,859)	(31,103)	(1,071)
Unrecognized prior service cost	(126,017)	(115,310)	(3,969)
Unrecognized net actuarial loss	(1,755,244)	(2,471,722)	(85,085)
Additional pension liability	511,274	870,278	29,958
Recorded under accrued expenses	(10,939)	(16,183)	(557)
Recorded under prepaid pension cost	90,743	-	-
Accrued pension cost	3,095,542	3,054,555	105,148

(Concluded)

c. Vested benefit	2,396,409	2,880,629	99,161

d. Actuarial assumptions used:

	December 31	
	2011	2012
Discount rate	1.50%-5.38%	1.50%-4.26%
Increase in future salary level	2.00%-5.54%	2.00%-5.07%
Expected rate of return on plan assets	2.00%-3.99%	2.00%-4.26%

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
e. Contributions to the funds	316,813	269,660	734,864	25,297
f. Payments from the funds	57,826	58,593	96,901	3,336

g. The Company expects to make contributions of NT231,442 thousand (US$7,967 thousand) to its defined benefit pension plans in 2013.

h. Expected benefit payments:

Year of Payments	NT$	US$ (Note 2)
2013	192,265	6,618
2014	220,161	7,579
2015	311,155	10,711
2016	349,006	12,014
2017	434,110	14,944
2018 and thereafter	2,245,703	77,305

Plan assets and obligations reflected herein were measured as of December 31, 2011 and 2012.

21. SHAREHOLDERS' EQUITY

Common Stock

The authorized capital stock was NT$95,000,000 thousand of which NT$6,000,000 thousand and NT$8,000,000 thousand were reserved for convertible bonds and employee stock option plans, respectively. For the years ended December 31, 2010, 2011 and 2012, employees exercised options and paid NT$499,404 thousand (28,563 thousand shares), NT$589,326 thousand (30,083 thousand shares) and NT$315,690 thousand (20,460 thousand shares), of which NT$299,698 thousand (14,902 thousand shares), NT$35,693 thousand (2,145 thousand shares) and NT$106,171 thousand (8,142 thousand shares) were recorded as "capital received in advance" as of December 31, 2010, 2011 and 2012, respectively.

In January 2011 and 2012, the Company made capital reductions of NT$370,000 thousand (37,000 thousand shares) and NT$1,054,750 thousand (105,475 thousand shares) through the retirement of treasury stock. The Company has completed the registration formalities for all the above-mentioned increases and reductions of capital.

American Depositary Shares

ASE Inc. issued ADS and each ADS representing five common shares. As of December 31, 2011 and 2012, 89,126 thousand and 105,431 thousand ADS were outstanding and represented approximately 445,628 thousand and 527,154 thousand common shares of ASE Inc., respectively.

Capital Surplus

Under the ROC Company Law, capital surplus from paid-in capital in excess of par value and treasury stock transactions may be transferred to capital, subject to a specified percentage of paid-in capital. In addition, such capital surplus may be distributed in cash if the Company doesn't have a deficit.

Capital surplus from equity method investments and employee stock options may not be used for any purpose.

Appropriation of Retained Earnings

The Articles of Incorporation of ASE Inc. provide that the annual net income shall be distributed in the following order:

a. Replenishment of losses;

b. 10.0% as legal reserve;

c. Special reserve in accordance with laws or regulations set forth by the authorities concerned;

d. An amount equal to the excess of the income from equity method investments over cash dividends as special reserve;

e. Not more than 2.0% of the remainder from a. to d. as compensation to directors and supervisors;

f. Between 7.0% to 10.0% of the remainder from a. to d. as a bonus to employees, of which 7.0% shall be distributed in accordance with the employee bonus plan and the excess shall be distributed to specified employees as decided by the board of directors; and

g. The remainder from a. to f. as dividends to shareholders.

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

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

For the years ended December 31, 2011 and 2012, the accrual bonus to employees of ASE Inc. was NT$1,362,578 thousand and NT1,178,222 thousand (US$40,558 thousand), respectively, and the accrual compensation to directors and supervisors of ASE Inc. was NT$272,516 thousand and NT$235,645 thousand (US$8,112 thousand), respectively. The accrual bonus to employees and compensation to directors and supervisors represented 10% and 2%, respectively, of net income (net of the bonus and compensation). Significant differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized loss on financial instruments, cumulative transaction adjustments and net loss not recognized as pension cost) shall be transferred from unappropriated earnings to a special reserve. In addition, the excess of book value over market value of treasury shares held by subsidiaries shall be also transferred from unappropriated earnings to a special reserve based on the proportion owned by ASE Inc. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

According to the ROC Company Law, legal reserve shall be appropriated until it has reached the Company's paid-in capital. The reserve may be used to offset deficits. When the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash if the Company doesn't have a deficit.

The appropriations of earnings for 2010 and 2011 resolved at the Company's annual shareholders' meetings in June 2011 and 2012, respectively and the appropriation of 2012 earnings proposed by the Company's board of directors and to be resolved by the Company's annual shareholders' meeting were as follow:

	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Legal reserve	1,833,750	1,372,596	1,309,136	45,065
Special reserve	1,272,417	-	309,992	10,671
Stock dividends - NT$1.15, NT$1.40 and nil in 2010, 2011 and 2012, respectively	6,957,357	9,315,995	-	-
Cash dividends - NT$0.65, NT$0.65 and NT$1.05 in 2010, 2011 and 2012, respectively	3,932,419	4,325,284	7,987,974	274,973
	13,995,943	15,013,875	9,607,102	330,709

Reversal of special reserve in NT$1,272,417 thousand (US$43,801 thousand) was resolved by the Company's annual shareholders' meeting in June 2012.

In addition to the 2010 and 2011 earnings appropriations listed above, the shareholders also resolved to distribute the bonus to employees and compensation to directors and supervisors in cash. In addition to the 2012 earnings appropriation listed above, the board of directors also proposed to distribute the bonus to employees and compensation to directors and supervisors in cash. The information was as follows:

	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Bonus to employees	1,523,133	1,235,336	1,147,223	39,491
Compensation to directors and supervisors	304,200	246,000	228,000	7,849

The differences between the approved amounts of the bonus to employees and compensation to directors and supervisors and the accrual amounts reflected in the consolidated financial statements for the years ended December 31, 2010 and 2011 were primarily due to changes in estimates. The differences were NT$427 thousand and NT$153,758 thousand (US$5,293 thousand) and had been adjusted in earnings for the years ended December 31, 2011 and 2012, respectively.

Information regarding the appropriations of earnings, bonus to employees and compensation to directors and supervisors is available on the Market Observation Post System website of the TSE.

Unrealized Gain (Loss) on Financial Instruments

Movements of the unrealized gain (loss) on financial instruments for the years ended December 31, 2011 and 2012 were as follows:

	Available-for-sale Financial Assets	Equity Method Investments	Cash Flow Hedges (Note 26)	Total	
	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance at January 1, 2011	(9,290)	457,465	(201,872)	246,303	8,479
Recognized directly in shareholders' equity	(77,901)	(174,005)	9,828	(242,078)	(8,333)
Removed from shareholders' equity and recognized in earnings	87,191	-	143,672	230,863	7,947
Balance at December 31, 2011	-	283,460	(48,372)	235,088	8,093
Recognized directly in shareholders' equity	(26,130)	148,355	(8,261)	113,964	3,923
Removed from shareholders' equity and recognized in earnings	8	-	52,878	52,886	1,820
Balance at December 31, 2012	(26,122)	431,815	(3,755)	401,938	13,836

Treasury Stock (Shares in Thousands)

	Beginning Shares	Addition	Retirement/ Decrease	Ending Shares
Year ended December 31, 2011				
Parent company shares held by subsidiaries	114,792	13,189	-	127,981
Repurchase under share buyback plan	37,000	105,475	37,000	105,475
	151,792	118,664	37,000	233,456
Year ended December 31, 2012				
Parent company shares held by subsidiaries	127,981	17,902	-	145,833
Repurchase under share buyback plan	105,475	-	105,475	-
	233,456	17,902	105,475	145,833

As of December 31, 2011 and 2012, information regarding treasury stock held by subsidiaries was as follows:

	Shares Held By Subsidiaries	Book Value NT$	Book Value US$ (Note 2)	Market Value NT$	Market Value US$ (Note 2)
December 31, 2011					
ASE Test	77,377	1,380,721		2,004,060	
J&R Holding	40,972	381,709		1,061,186	
ASE Test, Inc.	9,632	196,677		249,456	
	127,981	1,959,107		3,314,702	
December 31, 2012					
ASE Test	88,200	1,380,721	47,529	2,222,652	76,511
J&R Holding	46,704	381,709	13,140	1,176,935	40,514
ASE Test, Inc.	10,979	196,677	6,770	276,665	9,524
	145,883	1,959,107	67,439	3,676,252	126,549

ASE Inc. issued common shares in connection with its merger with its subsidiaries. The shares held by its subsidiaries were reclassified from equity method investments to treasury stock on the proportion owned by ASE Inc.

In addition, as discussed in Note 2 to the consolidated financial statements, 218,167 thousand shares of ASE Inc. held by subsidiaries, J&R Holding and ASE Test, were used as the consideration of NT$5,246,916 thousand for the USI Acquisition in February 2010. The difference between the consideration and the book value of the treasury stock, amounting to NT$1,271,532 thousand, was recorded under capital surplus - treasury stock transactions.

Stock dividends received in 2010, 2011 and 2012 by the subsidiaries from ASE Inc. were 10,427 thousand shares, 13,189 thousand shares and 17,902 thousand shares, respectively.

According to the ROC Securities and Exchange Act, the number of shares bought back under the share buyback plan may not exceed 10% of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the total amount of retained earnings, paid-in capital and realized capital surplus.

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

22. EMPLOYEE STOCK OPTION PLANS

ASE Inc. Option Plans

In order to attract, retain and reward employees, ASE Inc. has four employee stock option plans. Each unit represents the right to purchase one share of common stock of ASE Inc. when exercised. Under the terms of the plans, stock option rights are granted at an exercise price equal to or not less than the closing price of the common shares listed on the TSE on the date of grant. The option rights of these plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information regarding stock options for the years ended December 31, 2010, 2011 and 2012 was as follows:

	Year Ended December 31					
	2010		2011		2012	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)
Beginning outstanding balance	246,566	20.8	397,627	22.3	371,034	22.8
Options granted	187,720	23.3	12,280	25.8	-	-
Options forfeited	(8,096)	23.5	(8,790)	22.9	(6,233)	22.6
Options expired	-	-	-	-	(9)	5.5
Options exercised	(28,563)	17.5	(30,083)	19.6	(20,460)	15.4
Ending outstanding balance	397,627	22.3	371,034	22.8	344,332	20.3
Ending exercisable balance	144,815	20.3	145,154	21.6	243,930	20.1
Grant date fair value of the options granted during the year (NT$)	6.2-6.3		8.0-8.1		-	

The exercise prices have been adjusted to reflect the dilution attributable to the distribution of stock dividends in accordance with the terms of the plans.

The weighted average stock price at the date of exercise for stock options exercised for the years ended December 31, 2010, 2011 and 2012 was NT$27.2, NT$29.8 and NT$25.2 (US$0.87), respectively.

Information regarding outstanding and exercisable stock options as of December 31, 2012 was as follows:

	Outstanding			Exercisable		
Range of Exercise Price (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)	Weight Average Remaining Contractual Life (Years)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)	Weight Average Remaining Contractual Life (Years)
8.4-13.5	22,727	13.1	1.6	22,720	13.1	1.6
20.4-22.6	321,605	20.8	6.4	221,210	20.8	5.9
	344,332	20.3		243,930	20.1	

As of December 31, 2012, the number of options that were expected to vest was 91,496 thousand units.

As of December 31, 2012, the aggregate intrinsic value of outstanding and exercisable stock options was NT$1,699,073 thousand (US$58,488 thousand) and NT$1,243,177 thousand (US$42,794 thousand), respectively.

Total intrinsic value of options exercised for the years ended December 31, 2010, 2011 and 2012 was NT$300,776 thousand, NT$386,877 thousand and NT$200,536 thousand (US$6,903 thousand), respectively.

ASE Mauritius Inc. Option Plan

ASE Mauritius Inc. has an employee stock option plan which granted 30,000 thousand units in December 2007. Under the terms of the plan, each unit represents the right to purchase one share of common stock of ASE Mauritius Inc. when exercised. The options are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information regarding stock options for the years ended December 31, 2010, 2011 and 2012 was as follows:

	Year Ended December 31					
	2010		2011		2012	
	Number of Options (In Thousands)	Exercise Price Per Share (US$)	Number of Options (In Thousands)	Exercise Price Per Share (US$)	Number of Options (In Thousands)	Exercise Price Per Share (US$)
Beginning outstanding balance	29,420	1.7	29,120	1.7	28,770	1.7
Options forfeited	(300)	1.7	(350)	1.7	(175)	1.7
Ending outstanding balance	29,120	1.7	28,770	1.7	28,595	1.7
Ending exercisable balance	17,672	1.7	23,156	1.7	28,575	1.7

As of December 31, 2012, the options were all vested and the remaining contractual life is five years. No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2010, 2011 and 2012.

USI Option Plan

USI had employee stock option plans in place prior to its acquisition by the Company. Under the terms of the plans, each unit represented the right to purchase one share of common stock of USI when exercised. The option rights of these plans were valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. In June 2010, USI reached an agreement with its employees to cancel unexercised options with cash compensation at a fixed amount per unit. Compensation cost of NT$138,507 thousand was recognized for the year ended December 31, 2010.

The weighted average stock price at the date of exercise for stock options exercised for the year ended December 31, 2010 was NT$20.3.

USIE Option Plan

The terms of the plans issued by USIE were the same with those of the ASE Inc. option plans.

Information regarding stock options for the year ended December 31, 2010, 2011 and 2012 was as follows:

	Year Ended December 31					
	2010		2011		2012	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)
Beginning outstanding balance	18,722	1.5	26,869	1.8	35,462	2.1
Options granted	8,800	2.4	8,800	2.9	-	-
Options forfeited	(653)	1.5	(207)	1.5	(283)	2.1
Options exercised	-	-	-	-	(213)	1.5
Ending outstanding balance	26,869	1.8	35,462	2.1	34,966	2.1
Ending exercisable balance	10,900	1.5	14,299	1.5	22,252	1.7
Grant date fair value of the options granted during the year (US$)	0.88-1.06		0.83-0.95		-	

Information regarding outstanding and exercisable stock options as of December 31, 2012 was as follows:

	Outstanding			Exercisable		
Exercise Range of Price (US$)	Number of Options (In Thousands)	Weighted Average Exercise Price (US$)	Remaining Contractual Life (Years)	Number of Options (In Thousands)	Weighted Average Exercise Price (US$)	Remaining Contractual Life (Years)
1.5	17,485	1.5	5.0	17,485	1.5	5.0
2.4-2.9	17,481	2.7	7.8	4,767	2.5	7.3
	34,966	2.1		22,252	1.7	

As of December 31, 2012, the number of options that were expected to vest was 12,004 thousand units.

As of December 31, 2012 the aggregate intrinsic value of outstanding and exercisable stock options was nil.

For those options granted before December 31, 2007, no compensation cost was recognized under the intrinsic value method for the years ended December 31, 2010, 2011 and 2012.

Options granted by ASE Inc. and USIE during the years ended December 31, 2010 and 2011 were valued using the Hull & White Model (2004) with Ritchken's Trinomial Tree Model (1995) and the inputs for the model were as follows:

	ASE Inc.	USIE
Assumptions:		
Share price/market price at grant date	NT$28.60-28.75	US$2.49-2.62
Exercise price	NT$28.60-28.75	US$2.42-2.94
Expected volatility	28.59%-36.08%	32.48%-35.63%
Expected life	10 years	10 years
Expected dividend yield	4.00%	-
Risk free interest rate	1.5620%-1.8087%	1.6306%-1.7997%

Expected volatility of ASE Inc. and USIE is based on the historical stock price volatility over the past 10 years of ASE Inc. and the comparable companies of USIE, respectively. To allow for the effects of early exercise, ASE Inc. and USIE assumed that employees would exercise the options after vesting date when the stock price was 1.58-1.69 times the exercise price.

For the years ended December 31, 2010, 2011 and 2012, termination of employment that resulted in forfeiture of stock options granted on or after January 1, 2008 of ASE Inc. and USIE were 2,099 thousand units, 4,933 thousand units and 4,716 thousand units, respectively. As of December 31, 2012, the estimated percentage of forfeiture due to termination of employment over the remaining vesting period of ASE Inc. and USIE was 1.8%-4.0%.

Compensation cost recognized by the Company for the options granted after January 1, 2008 was NT$319,147 thousand, NT$537,973 thousand and NT$445,120 thousand (US$15,323 thousand) for the years ended December 31, 2010, 2011 and 2012, respectively.

For purposes of pro forma disclosure, the estimated fair values of the options granted before December 31, 2007 are amortized to expense over the option vesting periods. Had the Company recorded compensation cost based on the estimated grant date fair values which were determined using the Black-Scholes option pricing model, the pro forma information for the years ended December 31, 2010, 2011 and 2012 would have been as follows:

Assumptions:

	ASE Inc.	ASE Mauritius Inc.	USIE
Expected dividend yield	3.00%	-	-
Expected volatility	46.0%-59.0%	47.21%	39.0%
Risk free interest rate	1.80%-2.51%	4.17%	4.28%
Expected life	5.0-6.5 years	6.5 years	6.525 years

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Net income attributable to shareholders of the parent	17,804,442	13,177,782	12,509,605	430,623
Basic earnings per share after tax	2.37	1.75	1.68	0.06

23. INCOME TAX

a. A reconciliation of income tax expense based on pre-tax income at statutory rates and income tax expense was as follows:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Tax expense based on pre-tax income at statutory rates				
Domestic entities	2,037,332	2,557,117	3,005,586	103,463
Foreign entities	3,204,662	1,147,666	425,341	14,641
	5,241,994	3,704,783	3,430,927	118,104
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income	(979,020)	(656,601)	(312,587)	(10,760)
Others	118,588	152,366	(23,555)	(811)
Temporary differences				
Unrealized foreign exchange loss (gain)	(129,884)	153,649	(154,616)	(5,322)
Loss (gain) on valuation of financial instruments	60,270	(113,259)	116,009	3,993
Others	162,375	313,429	251,156	8,646
	4,474,323	3,554,367	3,307,334	113,850
Loss carryforwards	(61,984)	-	-	-
Income tax on undistributed earnings	-	434,156	8,722	300
Credits for investments and research and development expenditures	(819,712)	(1,467,739)	(852,351)	(29,341)
Adjustment of prior year's income tax	(19,651)	37,025	6,747	232
Current income tax	3,572,976	2,557,809	2,470,452	85,041
Deferred income tax	55,764	460,403	571,176	19,662
Income tax expense	3,628,740	3,018,212	3,041,628	104,703

b. Deferred income tax assets (liabilities) were as follows:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Deferred income tax assets - current			
Unused tax credits	827,306	464,137	15,977
Provision for inventory valuation and obsolescence	98,576	127,769	4,398
Unused loss carryforwards	-	38,682	1,332
Unrealized foreign exchange loss (gain)	82,279	(47,241)	(1,626)
Others	181,007	439,771	15,138
	1,189,168	1,023,118	35,219
Valuation allowance	(53,643)	(260,566)	(8,969)
	1,135,525	762,552	26,250

(Continued)

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Deferred income tax liability - current			
Unrealized increment	-	(167,924)	(5,780)
Others	(175)	(78,256)	(2,694)
	(175)	(246,180)	(8,474)
Deferred income tax assets - noncurrent			
Depreciation	120,696	736,287	25,345
Unused loss carryforwards	391,568	497,087	17,111
Accrued pension cost	524,619	376,275	12,953
Unused tax credits	729,476	323,342	11,131
Others	473,218	536,328	18,462
	2,239,577	2,469,319	85,002
Valuation allowance	(780,474)	(624,930)	(21,512)
	1,459,103	1,844,389	63,490
Deferred income tax liability - noncurrent			
Unused tax credits	10,445	583,818	20,097
Accrued pension cost	-	112,580	3,875
Unused loss carryforwards	-	16,335	562
Depreciation	(325,707)	(1,417,160)	(48,783)
Others	(309,478)	(42,339)	(1,457)
	(624,740)	(746,766)	(25,706)
Valuation allowance	-	(199,811)	(6,878)
	(624,740)	(946,577)	(32,584)

(Concluded)

The increase in the valuation allowance for 2012 was mainly due to the amendment of the tax rate of Alternative Minimum Tax under the Income Basic Tax Act (the "Act") from 10% to 12%. The Act was amended in August 2012 and effective on January 1, 2013. In assessing the realizability of deferred income tax assets, the Company considers its future taxable earnings and expected timing of the reversal of temporary differences. In addition, in the event future taxable earnings do not materialize as forecasted, the Company will consider executing certain tax planning strategies available to realize the deferred income tax assets. The valuation allowance is provided to reduce the gross deferred income tax assets to an amount which the Company believes will more likely than not be realized. Deferred income tax assets and liabilities are classified in the consolidated balance sheets based on the classification of the related assets or liabilities or the expected timing of the reversal of temporary differences.

c. The tax holidays for the Company are as follows:

1) A portion of ASE Inc.'s income from packaging of semiconductors is exempt from income tax for five years ended December 2016. A portion of ASE Chung Li branch's income from manufacturing, processing and testing of semiconductors was exempt from income tax ended December 2011.

2) A portion of ASE Test, Inc., ASE Electronics and Yang Ting's income is exempt from income tax for five years ended December 2016.

3) Some China subsidiaries were eligible to enjoy the five-year tax holiday (two-year tax exemption and subsequent three-year 50% reduction of applicable tax rate), or qualified as high technology enterprises which are entitled to a reduced tax rate of 15%, or were eligible to deduct certain times of research and development expenses from their taxable income.

   The distribution of China-sourced income generated after January 1, 2008 is subject to a 10% withholding tax, and enterprises originating from those countries that have tax treaties with China may apply for lower withholding tax rates.

4) ASE Singapore has been granted pioneer status under the provisions of the Economic Expansion Incentives (Relief from Income Tax) Act for all income arising from pioneer status activities which is exempt from income tax ending August 2013.

The per share effect of these tax holidays was NT$0.13, NT$0.09 and NT$0.04 (US$0.001) per share for the years ended December 31, 2010, 2011 and 2012, respectively.

d. As of December 31, 2012, unused tax credits, which may be utilized to offset future income tax, were as follow:

Year of Expiry	**NT$**	**US$ (Note 2)**
2013	427,812	14,727
2014	250,031	8,607
2015	340,530	11,722
2017 and thereafter	352,924	12,149
	1,371,297	47,205

e. As of December 31, 2012, unused loss carryforwards, which may be utilized to offset future income tax, were as follow:

Year of Expiry	**NT$**	**US$ (Note 2)**
2013	38,682	1,331
2014	134,030	4,614
2015	63,130	2,173
2016	35,875	1,235
Through 2017 to 2022	280,387	9,652
	552,104	19,005

f. Income tax returns of ASE Inc. have been examined by the ROC tax authorities through 2008. ASE Inc. disagreed with the result of examinations relating to its income tax returns from 2002 to 2008 and applied for related tax appeals and procedures. ASE Inc. has recognized the related income tax expense in the year upon completion of examinations. Income tax returns of other subsidiaries have been examined by the tax authorities through 2002 to 2011.

g. Information regarding Imputation Tax System

As of December 31, 2011 and 2012, the balance of the Imputation Credit Account (“ICA”) amounted to NT$502,789 thousand and NT$598,571 thousand (US$20,605 thousand), respectively. The creditable ratio for the distribution of 2011 and 2012 earnings is 7.16% (actual) and 5.55% (estimated), respectively.

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for their proportionate share of the income tax paid in the ROC by the Company on earnings generated since January 1, 1998. Non-resident shareholders are allowed only a tax credit from the 10% income tax on undistributed earnings, which can be used to reduce the withholding income tax on dividends. An ICA is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

24. PERSONNEL EXPENDITURE, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2010			Year Ended December 31, 2011		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Personnel						
Salary	16,423,462	8,453,317	24,876,779	17,730,232	9,122,024	26,852,256
Pension cost	826,288	386,792	1,213,080	1,020,657	398,039	1,418,696
Labor and health insurance	1,139,682	461,092	1,600,774	1,390,850	631,386	2,022,236
Others	2,060,375	832,527	2,892,902	2,238,244	1,187,560	3,425,804
	20,449,807	10,133,728	30,583,535	22,379,983	11,339,009	33,718,992
Depreciation	17,303,405	1,169,928	18,473,333	19,940,273	1,379,165	21,319,438
Amortization	764,999	616,141	1,381,140	926,664	699,294	1,625,958

	Year Ended December 31, 2012			
	Cost of Revenues	Operating Expenses	Total	
	NT$	NT$	NT$	US$ (Note 2)
Personnel				
Salary	19,771,151	9,785,351	29,556,502	1,017,436
Pension cost	1,119,519	519,258	1,638,777	56,412
Labor and health insurance	1,577,443	719,638	2,297,081	79,073
Others	2,387,005	1,037,487	3,424,492	117,883
	24,855,118	12,061,734	36,916,852	1,270,804
Depreciation	20,602,089	1,533,323	22,135,412	761,976
Amortization	749,948	528,931	1,278,879	44,023

25. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Year ended December 31, 2010					
Basic EPS					
Income attributable to shareholders of the parent	19,032,589	18,337,500	7,506,498	2.54	2.44
Effect of dilutive potential common stock					
Bonus to employees	-	-	46,499		
Employee stock options issued by ASE Inc.	-	-	48,952		
Bonus to employees and employee stock options issued by subsidiaries	(144,397)	(144,397)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	18,888,192	18,193,103	7,601,949	2.48	2.39
Year ended December 31, 2011					
Basic EPS					
Income attributable to shareholders of the parent	15,052,588	13,725,958	7,514,719	2.00	1.83
Effect of dilutive potential common stock					
Bonus to employees	-	-	63,653		
Employee stock options issued by ASE Inc.	-	-	121,665		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	15,052,588	13,725,958	7,700,037	1.95	1.78
Year ended December 31, 2012					
Basic EPS					
Income attributable to shareholders of the parent	14,585,186	13,091,359	7,445,469	1.96	1.76
Effect of dilutive potential common stock					
Bonus to employees	-	-	52,695		
Employee stock options issued by ASE Inc.	-	-	77,732		
Bonus to employees and employee stock options issued by subsidiaries	(107,632)	(107,632)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	14,477,554	12,983,727	7,575,896	1.91	1.71

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
	US$ (Note 2)	US$ (Note 2)		US$ (Note 2)	US$ (Note 2)
Year ended December 31, 2012					
Basic EPS					
Income attributable to shareholders of the parent	502,072	450,649	7,445,469	0.07	0.06
Effect of dilutive potential common stock					
Bonus to employees	-	-	52,695		
Employee stock options issued by ASE Inc.	-	-	77,732		
Bonus to employees and employee stock options issued by subsidiaries	(3,705)	(3,705)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	498,367	446,944	7,575,896	0.07	0.06

For purposes of the ADS calculation, the denominator represents the above-mentioned weighted average outstanding shares divided by five (one ADS represents five common shares). The numerator was the same.

If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price (after consideration of the dilutive effect of dividends) of the shares at the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolves the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends. This adjustment caused the basic EPS after income tax for the years ended December 31, 2010 and 2011 to decrease from NT$2.78 to NT$2.44 and from NT$2.08 to NT$1.83, respectively. This adjustment caused the diluted EPS after income tax for the year ended December 31, 2010 and 2011 to decrease from NT$2.73 to NT$2.39 and from NT$2.03 to NT$1.78, respectively.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2011		2012			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Non-derivative financial instruments						
Assets						
Financial assets at fair value through profit or loss - current	217,439	217,439	189,802	6,534	189,802	6,534
Available-for-sale financial assets - current and noncurrent	221,879	221,879	368,292	12,677	368,292	12,677

(Continued)

	December 31					
	2011		2012			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Bond investments with no active market - current	90,825	90,825	87,120	3,000	87,120	3,000
Financial assets carried at cost - noncurrent	893,283	893,283	827,882	28,498	776,683	26,736
Guarantee deposits (including current portion)	133,775	133,775	118,384	4,075	118,384	4,075
Restricted assets (including current portion)	230,801	230,801	214,626	7,388	214,626	7,388
Liabilities						
Long-term bank loans (including current portion)	42,685,213	42,685,213	36,950,215	1,271,953	36,950,215	1,271,953
Capital lease obligations (including current portion)	66,086	66,086	50,696	1,746	50,696	1,746
Bonds payable	10,876,538	10,901,737	10,804,551	371,929	10,807,596	372,034
Long-term payables	200,000	200,000	-	-	-	-
Derivative financial instruments						
Assets						
Dual currency deposits	-	-	2,178,381	74,987	2,178,381	74,987
Structured time deposits	-	-	1,644,601	56,613	1,644,601	56,613
Swap contracts	478,504	478,504	18,890	650	18,890	650
Forward exchange contracts	10,812	10,812	3,326	114	3,326	114
Liabilities						
Swap contracts	81,450	81,450	423,366	14,574	423,366	14,574
Forward exchange contracts	13,944	13,944	35,883	1,235	35,883	1,235
Foreign currency option contracts	-	-	7,899	272	7,899	272
Interest rate swap contract	58,279	58,279	4,524	156	4,524	156
Cross currency swap contracts	38,880	38,880	-	-	-	-

(Concluded)

b. Methods and assumptions used in the estimation of fair values of financial instruments were as follows:

1) The aforementioned financial instruments do not include cash, accounts receivable, other receivables, short-term borrowings, accounts payable, accrued expenses and payable for properties. Due to their short term nature, these financial instruments' carrying amounts approximate their fair values.

2) Fair values of open-end mutual fund and quoted stocks recognized as financial assets at FVTPL or available-for-sale financial assets were determined using their quoted market prices in an active market. Fair values of private-placement shares and derivatives were determined using valuation techniques incorporating estimates and assumptions which are similar with those generally used by other market participants to price financial instruments.

3) Fair value of some financial assets carried at cost were determined using valuation techniques incorporating estimates and assumptions which are similar with those generally used by other market participants to price financial instruments. Other financial assets carried at cost issued by non-public corporations and bond investments with no active market have no active market price and their verifiable fair values cannot be determined at a reasonable cost. Carrying amount is used as their fair value.

4) The carrying amounts of guarantee deposits and restricted assets reflect their fair values due to their short term nature.

5) The interest rates of long-term bank loans were mainly floating and therefore their carrying amounts approximate fair values. Fair value of secured domestic bonds was determined using its quoted market price in ROC Gre Tai Securities Market. Fair value of secured overseas bonds were

estimated using present value of the future cash flows with the discount rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics. The maturity period of long-term payables was close to one year and the carrying amount approximates the fair value.

c. Valuation gains from changes in fair value of financial instruments determined using valuation techniques were NT$66,384 thousand and NT$869,899 thousand for the years ended December 31, 2010 and 2011, respectively. Valuation loss from changes in fair value of financial instruments determined using valuation techniques was NT$799,829 thousand (US$27,533 thousand) for the year ended December 31,2012.

d. As of December 31, 2011 and 2012, financial assets exposed to fair value interest rate risk amounted to NT$47,963 thousand and NT$615 thousand (US$21 thousand), respectively; financial liabilities exposed to fair value interest rate risk amounted to NT$10,900,463 thousand and NT$10,808,520 thousand (US$372,066 thousand) respectively; financial assets exposed to cash flow interest rate risk amounted to NT$18,894,790 thousand and NT$13,418,225 thousand (US$461,901 thousand), respectively; and financial liabilities exposed to cash flow interest rate risk amounted to NT$65,650,346 thousand and NT$73,835,141 thousand (US$2,541,657 thousand), respectively.

e. For the years ended December 31, 2010, 2011 and 2012, interest income of NT$215,228 thousand, NT$330,674 thousand and NT$322,197 thousand (US$11,091 thousand), and interest expense (including capitalized interest) of NT$1,682,838 thousand, NT$1,929,632 thousand and NT$2,253,154 thousand (US$77,561 thousand) were associated with financial assets or liabilities other than those at FVTPL.

f. Strategy for financial risk

The derivative instruments employed by the Company are to mitigate risks arising from ordinary business operation. All derivative transactions entered into by the Company are designated as either hedging or trading, which are governed by separate internal guidelines and controls. Derivative transactions entered into for hedging purposes must hedge risk against fluctuations in foreign exchange and interest rates arising from operating activities. The currency and the amount of derivative instruments held by the Company must match its assets and liabilities.

g. Information about financial risk

1) Market risk

All derivative financial instruments are mainly held to hedge the exchange rate fluctuations of foreign-currency-denominated assets and liabilities and interest rate fluctuations on its floating rate long-term loans. Exchange gains or losses on these derivative contracts are likely to be offset by gains or losses on the hedged assets and liabilities. Interest rate risks are also controlled because the expected cost of capital is fixed. Thus, market risk for derivative contracts is believed to be immaterial.

As of December 31, 2012, the Company held quoted stocks and open-end mutual funds which are subject to market risk. The fair value of these investments will decrease by NT$6,000 thousand (US$207 thousand) if their market price decrease by 1%.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Company if counter-parties or third parties breached contracts. Credit risk represents the positive fair values of contracts as of the balance sheet date. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Company's exposure to default by those parties to be material.

3) Liquidity risk

The Company's operating funds and credit line are deemed sufficient to meet cash flow demand; therefore, the Company's liquidity risk is not considered to be significant.

The Company's investments in quoted stocks and open-end mutual funds are traded in active markets and can be quickly disposed of at close to their fair values. The Company's bond investments with no active market, private-placement shares recorded as available-for-sale financial assets and financial assets carried at cost have no active markets and therefore liquidity risk for such assets is expected to be high.

4) Cash flow interest rate risk

The Company's loans, except bonds payable, are mainly floating interest rate debts. The Company's annual cash outflows will increase by NT$738,000 thousand (US$25,404 thousand) when the market interest rate increases by 1%.

h. Cash flow hedge

The Company entered into interest rate swap contracts to hedge exposures from fluctuations in interest rates arising from its long-term loans.

The fair value of ASE Inc.'s interest rate swap contracts which qualified for hedge accounting as of December 31, 2011 and 2012 were losses of NT$58,279 thousand and NT$4,524 thousand (US$156 thousand), respectively. The outstanding interest rate swap contracts of the Company as of December 31, 2011 and 2012 were as follows:

Maturity Period	**Notional Amount (In Thousands)**	**Interest Rates Paid (%)**	**Interest Rate Received (%)**	**Expected Period for Further Cash Demand**	**Expected Period for the Recognition of Gains or Losses from Hedge**
December 31, 2011					
2013.03	NT$ 5,220,000	2.45-2.48	0.861	2012-2013	2012-2013
2013.03	NT$ 2,392,500	0.96-0.99	0.861	2012-2013	2012-2013
December 31, 2012					
2013.03	NT$ 1,740,000	2.45-2.48	0.887	2013	2013
2013.03	NT$ 797,500	0.96-0.99	0.887	2013	2013

As of December 31, 2011, the unrealized gain from the interest rate swap contract, recorded as unrealized gain on financial instruments, entered by ASEAT SH was NT$11,467 thousand and would be amortized as a reduction of interest expense during the contract period of the hedged item, long-term loans. The contract did not meet the criteria of the hedging relationship anymore due to ASEAT SH's early repayment of the long-term loan in June 2012, NT$7,107 thousand (US$245 thousand) was reclassified from equity to gain on valuation of financial assets and NT$4,360 thousand (US$150 thousand) from equity was amortized as a reduction of interest expense for the year ended December 31, 2012.

The changes in unrealized loss on cash flow hedging financial instruments are disclosed in Note 21.

27. RELATED PARTY TRANSACTIONS

The related parties and their relationships with the Company are disclosed in Note 12, except Fu Hwa Construction Co. Ltd., a subsidiary of one of ASE Inc.'s equity method investments, and Kunshan Ding Yao, of which the chairman of the board of directors is also the Company's general manager. In addition, PSC, before November 22, 2011, and NXP B.V. continue to exercise significant influence over PowerASE (Note 2) and ASEN, respectively, and therefore are related parties of PowerASE and ASEN, respectively.

The Company acquired real estate from HCDC in May 2012 at NT$1,429,679 thousand (US$49,214 thousand) which was primarily based on independent professional evaluation reports and was fully paid before December 31, 2012. In addition, ASEAT SH acquired 10% shareholdings of Shanghai DH from Kunshan Ding Yao in November 2011 (Note 2) and total consideration was determined based on an independent evaluation report. Except the aforementioned, the Company had no significant transactions with related parties for the years ended December 31, 2010, 2011 and 2012

Information regarding compensation to directors, supervisors and management personnel was as follows:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Salary, incentives and other compensations	724,752	905,423	824,489	28,382
Bonus	139,910	118,130	93,027	3,202
	864,662	1,023,553	917,516	31,584

28. ASSETS PLEDGED OR MORTGAGED

In addition to Note 8, the following assets have been pledged or mortgaged as collateral for bank loans, import duties for raw materials and as guarantee deposits for employment of foreign labor and etc.:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Inventories related to construction business			
Land held for construction	1,616,743	-	-
Property, plant and equipment			
Land	777,858	299,059	10,295
Buildings and improvements	3,111,856	370,518	12,754
Restricted assets (including current portion under other current assets)	230,801	214,626	7,388
	5,737,258	884,203	30,437

29. COMMITMENTS AND CONTINGENCIES

a. The Company leases the land on which their buildings are situated under various operating lease agreements with the ROC government expiring on various dates through November 2022. The agreements grant these entities the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the leases under certain conditions. In addition, the Company leases buildings, machinery and equipment under operating leases.

Future minimum lease payments under the above-mentioned operating leases as of December 31, 2012 were as follows:

	NT$	US$ (Note 2)
2013	162,015	5,577
2014	93,444	3,217
2015	74,095	2,550
2016	58,061	1,999
2017 and thereafter	285,856	9,840
Total minimum lease payments	673,471	23,183

b. As of December 31, 2012, unused letters of credit of the Company were approximately NT$206,000 thousand (US$7,091 thousand).

c. As of December 31, 2012, outstanding commitments to purchase machinery and equipment of the Company were approximately NT$3,712,000 thousand (US$127,780 thousand), of which NT$140,609 thousand (US$4,840 thousand) had been prepaid.

d. As of December 31, 2012, outstanding commitments related to construction of facilities of the Company were approximately NT$6,069,000 thousand (US$208,916 thousand), of which NT$1,137,958 thousand (US$39,172 thousand) had been prepaid.

e. Tessera Inc. ("Tessera") filed an amended complaint in the United States District Court for the Northern District of California in February 2006 adding the Company to a suit alleging that the Company infringed patents owned by Tessera (the "California Litigation"). The district court in the California Litigation has lifted the stay in January 2012 and set a case management schedule to begin in April 2014. The United States Patent and Trademark Office have also instituted reexamination proceedings on all the patents Tessera has asserted in the California Litigation and the investigations concluded by International Trade Commission ("ITC Investigation").

   Up to date, the impact of the California Litigation or the ITC Investigation cannot be estimated.

30. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Information for significant foreign-currency assets and liabilities of the Company was summarized as follows (in thousands of foreign currency):

	December 31	
	2011	2012
Financial assets		
Monetary items		
US$	1,889,719	2,494,433
CNY	2,484,573	3,012,758
JPY	11,286,401	11,734,304

(Continued)

	December 31	
	2011	2012
Financial liabilities		
Monetary items		
US$	2,281,512	2,302,039
CNY	2,763,228	6,305,761
JPY	5,089,272	4,801,426
Exchange rate		
US$	US$1=NT$30.275	US$1=NT$29.040
CNY	CNY1=NT$4.8000	CNY1=NT$4.6202
JPY	JPY1=NT$0.3906	JPY1=NT$0.3364

(Concluded)

31. OPERATING SEGMENT INFORMATION

a. Segment revenues and results

The Company has four reportable segments: Packaging, testing, EMS and others. The Company packages bare semiconductors into finished semiconductors with enhanced electrical and thermal characteristics; provides testing services, including front-end engineering testing, wafer probing and final testing services; provides electronics manufacturing services; and engages in other activities.

The accounting policies for segments are the same as those described in Note 2. The Company changed the measurement of segment profit or loss from operating income to income before income tax as the chief operating decision maker changed the measurement basis for resources allocation and performance evaluation since 2011. For the comparative purpose, the segment information for the year ended December 31, 2010 was revised in conformity with the presentation for the years ended December 31, 2011 and 2012.

Segment information for the years ended December 31, 2010, 2011 and 2012 was as follows:

	Packaging	Testing	EMS	Others	Total
	NT$	NT$	NT$	NT$	NT$
2010					
Revenue from external customers	101,071,294	21,956,997	59,577,374	6,137,132	188,742,797
Inter-segment revenues	4,821,334	352,290	43,614,139	11,166,482	59,954,245
Interest income	83,846	30,307	74,426	26,649	215,228
Interest expense	(1,217,743)	(38,674)	(90,774)	(38,820)	(1,386,011)
Depreciation and amortization	(10,794,362)	(5,885,730)	(1,564,025)	(1,610,356)	(19,854,473)
Impairment loss	(170,682)	(60,896)	(1,414)	(18,410)	(251,402)
Segment income before income tax	11,645,249	5,655,268	2,333,002	3,190,110	22,823,629
Segment assets	102,027,572	40,613,527	43,731,297	21,767,369	208,139,765
Expenditures for segment assets	23,104,455	10,035,170	1,009,991	611,434	34,761,050
2011					
Revenue from external customers	102,677,289	21,932,231	57,850,415	2,887,271	185,347,206
Inter-segment revenues	1,923,714	90,032	43,050,376	7,720,823	52,784,945
Interest income	150,323	20,857	135,456	24,038	330,674
Interest expense	(1,305,245)	(19,200)	(222,108)	(119,772)	(1,666,325)
Depreciation and amortization	(13,384,345)	(6,422,129)	(1,687,390)	(1,451,532)	(22,945,396)
Impairment loss	(363,076)	(37,322)	-	(47,658)	(448,056)

(Continued)

	Packaging	Testing	EMS	Others	Total
	NT$	NT$	NT$	NT$	NT$
Segment income before income tax	10,080,121	4,768,128	1,949,055	199,857	16,997,161
Segment assets	113,792,384	38,582,345	39,522,545	31,980,821	223,878,095
Expenditures for segment assets	22,193,888	6,849,722	708,991	1,279,401	31,032,002
2012					
Revenue from external customers	104,298,275	22,657,058	62,747,665	4,269,394	193,972,392
Inter-segment revenues	303,374	213,210	43,628,905	7,252,285	51,397,774
Interest income	112,632	9,837	166,105	33,623	322,197
Interest expense	(1,266,474)	(28,039)	(170,781)	(539,021)	(2,004,315)
Depreciation and amortization	(14,552,204)	(6,083,371)	(1,600,670)	(1,178,046)	(23,414,291)
Impairment loss	(55,477)	(12,026)	-	(29,731)	(97,234)
Segment income before income tax	8,611,697	5,239,316	2,986,337	(246,814)	16,590,536
Segment assets	125,108,098	40,620,333	43,742,983	37,032,701	246,504,115
Expenditures for segment assets	28,006,528	7,947,860	2,038,697	900,031	38,893,116

(Concluded)

	Packaging	Testing	EMS	Others	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
2012					
Revenue from external customers	3,590,302	779,933	2,159,989	146,967	6,677,191
Inter-segment revenues	10,443	7,340	1,501,856	249,648	1,769,287
Interest income	3,877	339	5,718	1,157	11,091
Interest expense	(43,596)	(965)	(5,879)	(18,555)	(68,995)
Depreciation and amortization	(500,936)	(209,410)	(55,101)	(40,552)	(805,999)
Impairment loss	(1,910)	(414)	-	(1,023)	(3,347)
Segment income before income tax	296,444	180,355	102,800	(8,496)	571,103
Segment assets	4,306,647	1,398,290	1,505,782	1,274,792	8,485,511
Expenditures for segment assets	964,080	273,593	70,179	30,982	1,338,834

Note: Inter-segment revenues were eliminated upon consolidation.

b. Revenue from major products and services

	Years Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Advanced packaging and IC wirebonding service	90,583,897	91,234,269	93,314,688	3,212,210
Wafer probing and final testing service	21,473,806	21,469,472	22,140,124	762,139
Electronic components manufacturing service	56,777,818	57,233,787	61,650,121	2,122,207
Others	19,907,276	15,409,678	16,867,459	580,635
	188,742,797	185,347,206	193,972,392	6,677,191

c. Geographical information

1) Net revenues from external customers

	Year Ended December 31						
	2010		2011		2012		
	NT$	% of Total Revenues	NT$	% of Total Revenues	NT$	US$ (Note 2)	% of Total Revenues
America	105,507,488	56	107,597,312	58	119,165,968	4,102,099	61
Taiwan	37,214,850	20	37,150,070	20	33,443,120	1,151,226	17

(Continued)

	Year Ended December 31						
	2010		2011		2012		
	NT$	% of Total Revenues	NT$	% of Total Revenues	NT$	US$ (Note 2)	% of Total Revenues
Asia	25,578,735	13	21,019,332	11	22,295,261	767,479	12
Europe	20,441,724	11	19,580,492	11	19,068,043	656,387	10
	188,742,797	100	185,347,206	100	193,972,392	6,677,191	100

2) Noncurrent assets, excluding financial instruments, deferred pension cost and deferred income tax assets

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Taiwan	64,374,970	78,234,754	2,693,107
China	41,142,070	39,994,544	1,376,748
Others	24,190,543	25,698,661	884,635
	129,707,583	143,927,959	4,954,490

d. Major customers

For the years ended December 31, 2010, 2011 and 2012, the Company did not have a single customer to which the net revenues exceeded 10% of total net revenues.

32. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE COMPANY AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Company's consolidated financial statements have been prepared in accordance with ROC GAAP, which differs in the following respects from U.S. GAAP:

a. Pension benefits

The Company adopted the U.S. guidance relating to employers' accounting for pensions on January 1, 1987, which requires the Company to determine the accumulated pension obligation and the pension expense on an actuarial basis.

The U.S. guidance relating to employers' accounting for pensions was amended on September 29, 2006 to require employers to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Specifically, the amended U.S. GAAP guidance defines the funded status of a benefit plan as the difference between the fair value of the plan assets and the projected benefit obligation. In addition, it requires companies to recognize actuarial gains or losses, prior service costs or credits, and the transition asset or obligation remaining that were unrecognized as of the initial adoption date of the amended U.S. GAAP guidance.

ROC SFAS No. 18, "Accounting for Pensions" ("ROC SFAS No. 18") is similar in many respects to the U.S. guidance relating to employers' accounting for pensions and was adopted by the Company in 1996. However, ROC SFAS No. 18 does not require a company to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in the statement of financial position. Also, the difference in the dates of adoption gives rise to a U.S. GAAP difference in the actuarial computation for transition obligation and the related amortization.

b. Bonuses to employees, directors and supervisors

According to ROC regulations and the Articles of Incorporation of ASE Inc., a portion of distributable earnings is required to be set aside as bonuses to employees, directors and supervisors. Bonuses to directors and supervisors are always paid in cash. However, bonuses to employees may be granted in cash ("cash bonuses") or stock ("stock bonuses") or both. Prior to January 1, 2008, all of these appropriations, including stock bonuses which were valued at par value of NT$10, were charged against retained earnings under ROC GAAP after approval by the shareholders in the following year.

Under U.S. GAAP, such bonuses are charged to earnings in the year earned. Shares issued as part of these bonuses are recorded at fair value. Since the amount and form of such bonuses are not usually determinable until the shareholders' meeting in the subsequent year, the total amount of the aforementioned bonuses is initially accrued based on management's estimate regarding the amount to be paid based on the Articles of Incorporation. Any difference between the initially accrued amount and the fair value of any shares issued as bonuses is recognized in the year of approval by the shareholders.

Effective January 1, 2008, the Company adopted Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the ROC ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The amount of compensation expense related to stock bonuses is determined based on the market value of ASE Inc.'s common stock at the date immediately preceding the shareholders' meeting.

Starting from January 1, 2009, the U.S. GAAP reconciling adjustment for the bonuses paid in stock will be the difference of the fair value of the stock bonuses between the date of stock distribution (U.S. GAAP) and the date immediately preceding the shareholders' meeting (ROC GAAP). For the years ended December 31, 2010, 2011 and 2012, all the bonuses to employees were paid in cash. Therefore, the U.S. GAAP reconciling adjustment for the bonuses paid in stock was not required.

c. Depreciation of buildings

Under ROC GAAP, buildings may be depreciated over their estimated life based on ROC practices and tax regulations. For U.S. GAAP purposes, buildings are depreciated over their estimated economic useful life.

d. Depreciation on the excess of book value of buildings transferred between subsidiaries

ASE Test, Inc. purchased buildings and facilities from ASE Technologies Inc. in 1997. The purchase price was based on market value, which meant the portion of the purchase price in excess of book value of NT$17,667 thousand was capitalized by ASE Test, Inc. as allowed under ROC GAAP. Under U.S. GAAP, transfers of assets between entities under common control are recorded at transferred assets' carrying amount. Therefore, depreciation on the capitalized excess amount recorded under ROC GAAP is reversed under U.S. GAAP until the buildings and facilities are fully depreciated or disposed of.

e. Gain on sales of subsidiary's stock

The carrying amount of stock investments in ASE Test by J&R Holding under ROC GAAP is different from that under U.S. GAAP. Therefore, differences in the amount of related gains upon the sale of such stock investments have been recorded in the equity reconciliation.

f. Effects of U.S. GAAP adjustments on equity method investments

The carrying amounts of equity method investments and the investment income (loss) recognized by the equity method are reflected in the consolidated financial statements under ROC GAAP. The financial statements of these equity method investees prepared under ROC GAAP differ from the financial statements of such equity method investees prepared under U.S. GAAP. Therefore, the investment income (loss) has been adjusted to reflect the differences between ROC GAAP and U.S. GAAP in the investees' financial statements.

g. Impairment of long-lived assets

Under U.S. GAAP, an impairment loss is recognized when the carrying amount of an asset or a group of assets is not recoverable from the expected undiscounted future cash flows and the impairment loss is measured as the difference between the fair value and the carrying amount of the asset or a group of assets. The impairment loss is recorded in earnings and cannot be reversed subsequently. Long-lived assets (excluding goodwill and other indefinite lived assets) held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Under ROC GAAP, for purposes of evaluating the recoverability of long-lived assets, assets purchased for use in the business but subsequently determined to have no use were written down to fair value and recorded as idle assets. Under ROC GAAP, the Company is required to recognize an impairment loss when an indication is identified that the carrying amount of an asset or a group of assets is not recoverable from the expected discounted future cash flows. However, if the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. The adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

In 2006, the Company reversed impairment loss recognized in 2005 under ROC GAAP after a careful analysis of the increase in the estimated service potential of the production line and facilities by an external specialist. Such reversal is prohibited under U.S. GAAP. As such, differences in the cost basis of these impaired machinery and equipments, associated depreciation expense, gain or loss on disposal and gain on recoveries related to restoration of such impaired machinery and equipments between ROC GAAP and U.S. GAAP are reflected in the reconciliation.

h. Stock dividends

Under ROC GAAP, stock dividends are recorded at par value with a charge to retained earnings. Under U.S. GAAP, if the ratio of distribution is less than 25 percent of the same class of shares outstanding, the fair value of the shares issued should be charged to retained earnings. The difference for stock dividends paid in 2010, 2011 and 2012 was treated as an additional reduction to retained earnings and an increase to capital surplus of NT$7,201 million, NT$11,132 million and NT$11,831 million (US$407 million), respectively.

i. Stock-based compensation

Under U.S. GAAP, stock-based compensation expense for the year ended December 31, 2006 includes compensation expense for all unvested stock-based compensation awards granted prior to January 1, 2006 that are expected to vest, based on the grant-date fair value estimated in accordance with the transition method and the original provision of the U.S. guidance relating to accounting for stock-based compensation. Upon an employee's termination, unvested awards are forfeited, which affects the quantity of options to be included in the calculation of stock-based compensation expense. Forfeitures do not include vested options that expire unexercised. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of the U.S. guidance relating to share-based payment. The Company recognizes compensation expense using the graded vesting method over the requisite service period of the award, which is generally the option vesting term of five years. See Note 33e for a further discussion on stock-based compensation.

Certain characteristics of the stock options granted under the ASE 2002 Option Plan made the fair values of these options not reasonably estimable using appropriate valuation methodologies as prescribed under the U.S. guidance relating to accounting for stock-based compensation; therefore, these options have been accounted for using the intrinsic value method. Upon the adoption of the U.S. guidance relating to share-based payment, the Company continued to account for these stock options based on their intrinsic value, remeasured at each reporting date through the date of exercise or other settlement.

Under ROC GAAP, employee stock option plans that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations 92-070~072 and 93-073 issued by the ROC ARDF. The Company adopted the intrinsic value method and any compensation expense determined using this method is recognized over the vesting period.

Effective January 1, 2008, the Company adopted ROC SFAS No. 39, "Accounting for Share-based Payment", which is similar in many respects to the U.S. guidance relating to share-based payment and requires companies to record share-based payment transactions in the financial statements at fair value for the employee stock options that were granted or modified after December 31, 2007. Under ROC GAAP, the Company granted employee stock options in 2010 and 2011 and recognized compensation expense of NT$319,147 thousand, NT$537,973 thousand and NT$445,120 thousand (US$15,323 thousand) using the graded vesting method over the requisite service period for each separately vesting portion for the year ended December 31, 2010, 2011 and 2012, respectively. No stock-based compensation expense was recognized for the years ended December 31, 2010, 2011 and 2012 for the options granted on or before December 31, 2007 under ROC GAAP.

j. Goodwill and intangible assets

Before January 1, 2006, under ROC GAAP, the Company amortized goodwill arising from acquisitions over 10 years. Effective January 1, 2006, the Company adopted ROC SFAS No. 25 (revised in 2005), "Business Combinations - Accounting Treatment under Purchase Method" which is similar to the U.S. guidance relating to goodwill and other intangible assets. The Company reviews goodwill for impairment in accordance with the provision of the standards under ROC and U.S. GAAP. Under U.S. GAAP, the Company recognized an impairment charge of nil, NT$6,934 thousand and nil for the years ended December 31, 2010, 2011 and 2012, respectively.

Under U.S. GAAP, the Company adopted the U.S. guidance relating to goodwill and other intangible assets on January 1, 2002, which requires the Company to review goodwill for possible impairment on at least an annual basis. As a result, for U.S. GAAP purposes, the Company ceased to amortize goodwill effective January 1, 2002. Definite-lived intangible assets continue to be amortized over their estimated useful lives.

The determination of whether or not goodwill is impaired under the U.S. guidance relating to goodwill and other intangible assets is made by first estimating the fair value of the reporting unit and comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the Company calculates an implied fair value of the goodwill based on an allocation of the fair value of the reporting unit to the underlying assets and liabilities. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess.

k. Undistributed earnings tax

In the ROC, a 10% tax is imposed on unappropriated earnings. For ROC GAAP purposes, the Company records the 10% tax on unappropriated earnings in the year of shareholders' approval. In 2002, the American Institute of Certified Public Accountants International Practices Task Force concluded that in accordance with the U.S. guidance relating to accounting for tax credits related to dividends in accordance with accounting for income taxes, the 10% tax on unappropriated earnings should be accrued under U.S. GAAP during the period the earnings arise and adjusted to the extent that distributions are approved by the shareholders in the following year.

l. Impairment loss on equity method investments

ROC GAAP and U.S. GAAP require an assessment of impairment of long-term investments whenever events or circumstances indicate a decline in value that may be other than temporary. The criteria for determining whether or not an impairment charge is required are similar under ROC GAAP and U.S. GAAP; however, the methods to measure the amount of impairment may be based on different estimates of fair values depending on the circumstances. When impairment is determined to have occurred, U.S. GAAP generally requires the market price to be used, if available, to determine the fair value of the long-term investment and measure the amount of impairment at the reporting date. Under ROC GAAP, if the investments have an inactive market, another measure of fair value may be used. The Company recognized an impairment charge of NT$ 41,379 thousand, NT$6,117 thousand and nil under U.S. GAAP for the years ended December 31, 2010, 2011 and 2012, respectively.

m. Uncertainty in income taxes

Under ROC GAAP, uncertainty in income taxes or adjustments of prior years' income taxes is recorded as current year's income tax expense. Under U.S. GAAP, the Company accounts for uncertainties in income taxes in accordance with the U.S. guidance relating to accounting for uncertainty in income taxes. The U.S. guidance clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

n. Earnings per share

For employee bonus under ROC GAAP that may be distributed in shares, the number of shares to be distributed is taken into consideration assuming the distribution will be made entirely in shares when calculating diluted earnings per share. For employee bonus under U.S. GAAP, it shall be presumed that the employee bonuses will be settled in shares and the resulting potential common shares included in diluted EPS if the effect is more dilutive. The presumption that the employee bonuses will be settled in shares may be overcome if past experience or a stated policy provides a reasonable basis to believe that the employee bonuses will be paid partially or wholly in cash. The aforementioned presumption is overcome as the Company paid out the employee bonuses wholly in cash based on the past experience.

For diluted earnings per share, unvested stock options are included in the calculation using the treasury stock method if the inclusion of such would be dilutive under both ROC GAAP and U.S. GAAP. The U.S. guidance on applying the treasury stock method for equity instruments granted in share-based payment transactions in determining diluted earnings per share states that the assumed proceeds shall be the sum of (a) the exercise price, (b) the amount of compensation cost attributed to future services and not yet recognized, and (c) the amount of excess tax benefits that would be credited to additional paid-in capital assuming exercise of the options.

Upon adoption of the U.S. guidance relating to share-based payment after January 1, 2006, the Company has unrecognized compensation cost, and therefore, the number of shares included in the diluted earnings per share calculation under U.S. GAAP is different from that under ROC GAAP.

o. Business combination and noncontrolling interest

Under ROC GAAP, acquisitions are accounted for using the purchase method of accounting under ROC SFAS No. 25. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets acquired and liabilities incurred or assumed, by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are stepped up to their fair values limited to the percentage of the interest acquired at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable net assets. The interest of minority shareholders in the acquiree is measured at historical cost.

For the business combinations consummated on or after January 1, 2009, the U.S. guidance relating to business combinations requires (a) most of the assets acquired and liabilities assumed in the business combination to be measured at fair value as of the acquisition date, (b) the direct acquisition cost should be expensed in current earnings, (c) the negative goodwill will no longer be a reduction of assets but should be recorded as an ordinary gain in the period of acquisition, (d) the net assets of noncontrolling interests' share of the acquired subsidiaries should be recognized at fair value. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value, reclassify the amount recognized in other comprehensive income from prior reporting period and recognize the resulting gain or loss in earnings. Furthermore, under U.S. GAAP, changes in the Company's ownership interest while retaining controlling interest in its subsidiary shall be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary. Any difference between the fair value of the consideration paid and the amount by which the noncontrolling interest is adjusted shall be recognized in equity attributable to the parent.

For the USI Acquisition in February 2010, the Company remeasured the fair value of equity method investments in USI held before the acquisition and recognized a non-operating gain of NT$1,462,692 thousand under U.S. GAAP. The acquisition information under U.S. GAAP was discussed in Note 33k.

For the additional common shares acquisition of USI from the noncontrolling interest in August 2010 and the additional shares of PowerASE and Shanghai DH acquired in 2011, the Company recognized the difference of NT$567,302 thousand and NT$303,748 thousand, respectively, between the cash consideration and the carrying amount of the additional common shares as a deduction of capital surplus under U.S. GAAP for the years ended December 31, 2010 and 2011, respectively.

As for the EEMS Test Singapore Pte. Ltd. Acquisition, the Company completed the initial accounting in 2011 and recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date, August 1 2010. Thus, the Company revised comparative information for the year ended December 31, 2010 presented in consolidated financial statements.

p. Private-placement shares

Under ROC GAAP, private-placement shares with period restriction on disposal are deemed as a financial instrument without quoted prices in an active market. The fair value of private-placement shares are determined using valuation techniques which is based on quoted price of an otherwise identical unrestricted security of the same issuer, and adjusted the impact of the restrictions.

Under U.S. GAAP, if a restriction on an equity security that has a readily determinable quoted price expires within one year, the investment on such equity security could be accounted as a financial instrument for trading or an available-for-sale financial instrument.

At December 31, 2012, shares purchased through private placement remained private and not publicly traded. All shares were re-classified from available-for-sale financial assets – noncurrent, under ROC GAAP, to financial assets carried at cost - noncurrent, under U.S. GAAP. Accordingly, any unrealized gains or losses through fair value re-measurement under ROC GAAP were reversed. At December 31, 2011, an other-than-temporary impairment loss of NT$87,253 thousand was recorded and there were no other unrealized gains or losses related to the shares through fair value re-measurement.

The following schedule reconciles net income and shareholders' equity under ROC GAAP as reported in the consolidated financial statements to the net income and shareholders' equity amounts as determined under U.S. GAAP, giving effect to adjustments for the differences listed above.

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Net income				
Net income based on ROC GAAP	19,194,889	13,978,949	13,548,908	466,400
Adjustments:				
a. Pension benefits	17,632	66,042	(2,705)	(93)
c. Depreciation of buildings	(105,239)	(85,912)	(125,559)	(4,322)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	432	432	432	15
f. Effect of U.S. GAAP adjustments on equity method investments	57,954	(5,138)	(90,346)	(3,110)
g. Impairment of long-lived assets				
Depreciation and gain on recoveries related to restoration of impaired machinery and equipment	73,368	150,935	52,977	1,824
i. Stock-based compensation	(580,237)	(264,537)	(564,579)	(19,435)
k. Undistributed earnings tax	(916,335)	160,766	201,437	6,934
o. Business combination and noncontrolling interest	1,192,100	(106,075)	(105,510)	(3,632)
Income tax effect of U.S. GAAP adjustments	(33,620)	(115,076)	12,266	422
Net decrease in net income	(293,945)	(198,563)	(621,587)	(21,397)
Net income based on U.S. GAAP	18,900,944	13,780,386	12,927,321	445,003
Attributable to				
Shareholders of the parent	18,158,180	13,532,514	12,477,633	429,523
Noncontrolling interest	742,764	247,872	449,688	15,480
	18,900,944	13,780,386	12,927,321	445,003
Earnings per share (Note 33h)				
Basic	2.42	1.80	1.68	0.06
Diluted	2.39	1.79	1.67	0.06
Earnings per ADS (Note 33h)				
Basic	12.09	9.00	8.38	0.29
Diluted	11.97	8.93	8.33	0.29
Number of weighted average outstanding shares (in thousand shares) (Note 33h)				
Basic	7,506,498	7,514,719	7,445,469	
Diluted	7,542,814	7,575,701	7,490,602	
Number of ADS (in thousand shares) (Note 33h)				
Basic	1,501,300	1,502,944	1,489,094	
Diluted	1,508,563	1,515,140	1,498,120	

	December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Shareholders' equity				
Shareholders' equity based on ROC GAAP	91,839,325	102,282,494	112,459,068	3,871,224
Adjustments:				
a. Pension benefits and additional liability				
Pension benefits	71,460	137,502	134,797	4,640
Unrecognized pension cost on adoption of the amended U.S. guidance relating to pension	(613,362)	(613,362)	(613,362)	(21,114)
Defined benefit pension plan adjustment	(808,762)	(818,361)	(1,148,988)	(39,552)

(Continued)

	December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
c. Depreciation of buildings	(1,037,260)	(1,123,172)	(1,248,731)	(42,986)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	(11,871)	(11,439)	(11,007)	(379)
e. Gain on sale of subsidiary's stock	(8,619)	(8,619)	(8,619)	(297)
f. Effects of U.S. GAAP adjustments on equity method investments	(158,977)	(164,115)	(254,461)	(8,759)
g. Impairment loss reversal, net	(1,424,919)	(1,273,984)	(1,221,007)	(42,031)
i. Stock-based compensation	(908,661)	(908,661)	(908,661)	(31,279)
j. Goodwill	1,265,869	1,265,869	1,265,869	43,575
k. Undistributed earnings tax	(1,523,344)	(1,362,578)	(1,161,141)	(39,970)
l. Impairment loss on equity method investments	(883,620)	(883,620)	(883,620)	(30,417)
o. Business combination and noncontrolling interest	210,769	(229,139)	(323,353)	(11,131)
p. Private-placement shares	-	-	26,122	899
Income tax effect of U.S. GAAP adjustments	444,137	329,061	341,327	11,750
Net decrease in shareholders' equity	(5,387,160)	(5,664,618)	(6,014,835)	(207,051)
Shareholders' equity based on U.S. GAAP	86,452,165	96,617,876	106,444,233	3,664,173

(Concluded)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Changes in shareholders' equity based on U.S. GAAP				
Balance, beginning of year	69,515,745	86,452,165	96,617,876	3,325,916
Net income for the year	18,900,944	13,780,386	12,927,321	445,003
Adjustment for stock option compensation	899,384	802,510	1,009,699	34,757
Translation adjustment	(4,479,649)	4,568,156	(3,284,086)	(113,050)
Adjustment from changes in ownership percentages of subsidiaries	(9,510)	(4,960)	2,168,684	74,653
Unrealized gain on available-for-sale financial assets	115,454	(158,162)	147,912	5,092
Unrealized gain on cash flow hedging financial instruments	105,351	153,500	44,617	1,536
Stock options exercised by employees	499,404	589,326	315,690	10,867
Cash dividends	(1,978,190)	(3,932,419)	(4,325,284)	(148,891)
Cash dividends received by subsidiaries from parent company	37,536	74,160	83,117	2,861
Effects of U.S. GAAP adjustments on equity method investments	(48,372)	-	-	-
Change in noncontrolling interest	(459,161)	(42,685)	1,435,550	49,417
Change in noncontrolling interest from acquisition of subsidiaries	(345,186)	(2,814,290)	-	-
Defined benefit pension plan adjustment	(361,824)	(77,177)	(696,863)	(23,988)
Acquisition of treasury stock	(1,185,205)	(2,772,634)	-	-
Disposal of subsidiaries	(1,472)	-	-	-
Disposal of treasury stock held by subsidiaries	5,246,916	-	-	-
Balance, end of year	86,452,165	96,617,876	106,444,233	3,664,173
Attributable to				
Shareholders of the parent	82,959,008	95,334,374	103,337,388	3,557,225
Noncontrolling interest	3,493,157	1,283,502	3,106,845	106,948
	86,452,165	96,617,876	106,444,233	3,664,173

The following U.S. GAAP condensed consolidated balance sheets as of December 31, 2011 and 2012, and consolidated statements of income for the years ended December 31, 2010, 2011 and 2012 have been derived from the audited consolidated financial statements and reflect the adjustments presented above.

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Current assets	89,609,964	97,638,182	3,361,039
Long-term investments	1,185,581	1,250,770	43,056
Property, plant and equipment, net	110,927,450	125,165,008	4,308,606
Intangible assets	15,896,234	15,848,008	545,542
Other assets	2,472,118	2,754,776	94,829
Total assets	220,091,347	242,656,744	8,353,072
Current liabilities	67,443,174	85,290,939	2,936,005
Long-term liabilities	56,030,297	50,921,572	1,752,894
Total liabilities	123,473,471	136,212,511	4,688,899
Equity attributable to shareholders of the parent	95,334,374	103,337,388	3,557,225
Noncontrolling interest in consolidated subsidiaries	1,283,502	3,106,845	106,948
Total liabilities and shareholders' equity	220,091,347	242,656,744	8,353,072

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Net revenues	188,742,797	185,347,206	193,972,392	6,677,191
Cost of revenues	148,887,478	150,793,721	157,773,205	5,431,091
Gross profit	39,855,319	34,553,485	36,199,187	1,246,100
Operating expenses	16,877,296	18,450,852	19,203,125	661,037
Income from operations	22,978,023	16,102,633	16,996,062	585,063
Net non-operating income (expenses)	504,526	647,365	(1,202,761)	(41,403)
Income before income tax	23,482,549	16,749,998	15,793,301	543,660
Income tax expense	4,581,605	2,969,612	2,865,980	98,657
Net income	18,900,944	13,780,386	12,927,321	445,003
Net income attributable to				
Shareholders of the parent	18,158,180	13,532,514	12,477,633	429,523
Noncontrolling interest	742,764	247,872	449,688	15,480
	18,900,944	13,780,386	12,927,321	445,003

In accordance with the U.S. guidance relating to reporting comprehensive income, the statement of comprehensive income for the years ended December 31, 2010, 2011 and 2012 are presented below:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Net income based on U.S. GAAP	18,900,944	13,780,386	12,927,321	445,003
Other comprehensive income or loss, net of tax				
Translation adjustments	(4,479,649)	4,568,156	(3,284,086)	(113,050)
Unrealized gain (loss) on financial instruments	220,805	(4,662)	192,529	6,628
Unrecognized pension cost	(361,824)	(77,177)	(696,863)	(23,988)
Comprehensive income	14,280,276	18,266,703	9,138,901	314,593

(Continued)

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Comprehensive income attributable to				
Shareholders of the parent	13,620,418	17,923,130	8,751,108	301,243
Noncontrolling interest	659,858	343,573	387,793	13,350
	14,280,276	18,266,703	9,138,901	314,593

(Concluded)

The tax adjustment for comprehensive income for the years ended December 31, 2010, 2011 and 2012 was NT$38,464 thousand, NT$28,557 thousand and NT$9,137 thousand (US$315 thousand), respectively.

The components of accumulated other comprehensive income (loss) of the parent were as follows:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Cumulative translation adjustment	3,352,220	130,008	4,475
Unrealized gain on financial instruments	241,641	434,191	14,946
Actuarial loss and transition obligation	(1,783,122)	(2,572,592)	(88,557)
Accumulated other comprehensive income (loss)	1,810,739	(2,008,393)	(69,136)

The Company applies ROC SFAS No. 17, "Statement of Cash Flows". Its objectives and principles are similar to those set out in the U.S. guidance relating to statement of cash flows. Summarized cash flow data by operating, investing and financing activities in accordance with the U.S. GAAP are as follows:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Net cash inflow (outflow) from:				
Operating activities	36,964,711	31,936,706	29,017,945	998,896
Investing activities	(31,418,338)	(30,077,023)	(40,093,964)	(1,380,170)
Financing activities	(2,965,662)	(2,296,308)	8,455,755	291,076
Net increase (decrease) in cash	2,580,711	(436,625)	(2,620,264)	(90,198)
Cash, beginning of year	22,557,494	23,397,557	24,421,789	840,681
Effect of exchange rate changes	(1,740,648)	1,460,857	(1,535,974)	(52,874)
Cash, end of year	23,397,557	24,421,789	20,265,551	697,609

The significant reclassifications for U.S. GAAP cash flow statements pertained to the equity transactions with the noncontrolling interest shown in the financing activities under U.S. GAAP as opposed to investing activities under ROC GAAP.

33. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

a. Transition to IFRS in 2013

As of January 1, 2013, the Company began preparing financial statements in accordance with International Financial Reporting Standards, International Accounting Standards, and relevant Interpretations (collectively, "IFRSs") as issued by International Accounting Standards Board ("IASB") and IFRSs as endorsed for use in ROC. The Company's transition date to IFRSs was January 1, 2012 and therefore, the consolidated financial statements under IFRSs for the year ended December 31, 2012 may be materially different from the accompanied consolidated financial statements under ROC GAAP for the year ended December 31, 2012.

b. Recently issued accounting standards

In May 2011, the FASB issued an accounting update to amend the fair value measurement guidance and include some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for the Company for the year ending December 31, 2012. The Company has included these new disclosures, as applicable, in Note 33j.

In June and December 2011, the FASB issued accounting updates to eliminate the current option to report other comprehensive income and its components in the statement of shareholders' equity. Instead, an entity will be required to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The new requirements do not change which components of comprehensive income are recognized in net income or other comprehensive income, or when an item of other comprehensive income must be reclassified to net income. The standard is effective for the Company for the year ending December 31, 2012. The Company has reported other comprehensive income and its components in two separate but consecutive statements and the adoption did not have an impact on its results of operations, financial position or cash flows.

In September 2011, the FASB issued an accounting update, which is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for the Company for the year ending December 31, 2012. The adoption of this guidance did not have a material impact on the Company's results of operations, financial position or cash flows.

In December 2011, the FASB issued an accounting update, which creates new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. Certain disclosures of the amounts of certain instruments subject to enforceable master netting arrangements or similar agreements would be required, irrespective of whether the entity has elected to offset those instruments in the statement of financial position. The disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013 with retrospective application required. The Company has not yet determined the effect on the adoption of this pronouncement.

In July 2012, the FASB issued an accounting update to simplify how entities test indefinite-lived intangible assets for impairment which improve consistency in impairment testing requirements among long-lived asset categories. The update permits an assessment of qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. For assets in which this assessment concludes it is more likely than not that the fair value is more than its carrying value, these amended standards eliminate the requirement to perform quantitative impairment testing as outlined in the previously issued standards. The standard is effective for fiscal years beginning after December 15, 2012 and early adoption is permitted. The Company has not yet determined the effect on the adoption of this pronouncement.

In February 2013, the FASB issued an accounting update requiring entities to present information about significant items reclassified out of accumulated other comprehensive income or loss by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. This standard is effective for the Company for the year ending December

31, 2013. The Company has not yet determined the effect on the adoption of this pronouncement.

c. Pension

In December 2008, the FASB issued new guidance relating to the disclosure requirements for defined benefit plans, which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. As discussed in Note 20, pension funds are administered by the Labor Pension Fund Supervisory Committee ("the Committee") and the investment policies, strategies and plan assets allocation is under the Committee's control. In addition, the Committee does not provide detailed information to the public for the investment portfolios of the pension plan assets. Therefore, the Company cannot meet the pension plan asset disclosure requirements under U.S. GAAP.

Set forth below is pension information about the defined benefit plans disclosed in accordance with the U.S. guidance related to employers' disclosures about pensions and other postretirement benefits:

	Year Ended December 31			
	2010	**2011**	**2012**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Components of net periodic benefit cost				
Service cost	371,242	435,880	312,416	10,755
Interest cost	124,386	108,305	145,420	5,006
Expected return on plan assets	(29,836)	(32,397)	(46,180)	(1,590)
Amortization	47,555	70,641	91,314	3,143
Curtailment and settlement gain	(12,359)	(110,389)	-	-
Net periodic benefit cost	500,988	472,040	502,970	17,314
Changes in benefit obligation				
Benefit obligation at beginning of year	5,770,146	6,876,354	6,387,939	219,895
Addition from USI Acquisition	491,273	-	-	-
Service cost	371,242	435,880	312,416	10,755
Interest cost	124,386	108,305	145,420	5,006
Curtailment effect	(6,907)	(232,080)	-	-
Settlement effect	-	(553,207)	-	-
Actuarial gain	382,837	41,627	783,247	26,962
Benefits paid	(248,814)	(379,680)	(126,266)	(4,347)
Translation adjustment	(7,809)	90,740	(1,358)	(47)
Benefit obligation at end of year	6,876,354	6,387,939	7,501,398	258,224
Change in plan assets				
Fair value of plan assets at beginning of year	2,097,594	2,366,254	1,961,355	67,517
Addition from USI Acquisition	7,529	-	-	-
Actual return on plan assets	33,704	44,916	47,258	1,627
Employer contribution	316,813	269,660	734,864	25,297
Benefits paid	(57,826)	(58,593)	(96,901)	(3,336)
Settlement effect	-	(686,530)	-	-
Translation adjustment	(31,560)	25,648	36,227	1,247
Fair value of plan assets at end of year	2,366,254	1,961,355	2,682,803	92,352
Unfunded status	4,510,100	4,426,584	4,818,595	165,872

Actuarial assumptions:

	December 31		
	2010	2011	2012
Discount rate	1.75%-5.00%	1.50%-5.38%	1.50%-4.26%
Increase in future salary level	2.00%-5.00%	2.00%-5.54%	2.00%-5.07%
Expected rate of return on plan assets	2.00%-2.50%	2.00%-3.99%	2.00%-4.26%

The Company has no other post-retirement or post-employment benefit plans.

d. Marketable securities

As of December 31, 2011 and 2012, marketable securities by category were as follows:

	December 31, 2011			
	Cost	Unrealized Holding Gross Gains	Unrealized Holding Gross Losses	Fair Value
	NT$	NT$	NT$	NT$
Available-for-sale				
Quoted stocks	105,480	93,376	(1,804)	197,052
Convertible bonds	90,825	-	-	90,825
	196,305	93,376	(1,804)	287,877

	December 31, 2012							
	Cost		Unrealized Holding Gross Gains		Unrealized Holding Gross Losses (Within One Year)		Fair Value	
	NT$	US$ (Note 2)	NT$	US$ (Note 2)	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Available-for-sale								
Quoted stocks	109,591	3,772	235,088	8,093	(43,533)	(1,499)	301,146	10,366
Convertible bonds	87,120	3,000	-	-	-	-	87,120	3,000
	196,711	6,772	235,088	8,093	(43,533)	(1,499)	388,266	13,366

Bond investments with no active market under ROC GAAP (Note 7) were reclassified as available-for-sale financial assets under U.S. GAAP since the Company doesn't intend to hold to maturity.

The Company uses the average cost method for financial assets held for trading and available-for-sale financial assets when determining their cost basis. Proceeds from sales of available-for-sale financial assets for the years ended December 31, 2010, 2011 and 2012 were NT$20,883,928 thousand, NT$2,078,725 thousand and NT$770,163 thousand (US$26,512 thousand), respectively. Gross realized gains on these sales for the years ended December 31, 2010, 2011 and 2012 were NT$40,496 thousand, NT$50,089 thousand and NT$163 thousand (US$6 thousand), respectively. Gross realized losses on these sales for the years ended December 31, 2010, 2011 and 2012 were NT$1,824 thousand, NT$1,606 thousand and nil, respectively. For the years ended December 31, 2010, 2011 and 2012, the other-than-temporary loss on impairment of available-for-sale financial assets was NT$2,680 thousand, nil and NT$5,409 thousand (US$ 186 thousand), respectively.

e. Employee stock option plans

Effective January 1, 2006, the Company adopted the fair value recognition provisions of the U.S. guidance relating to share-based payment. In addition, the stock-based compensation expense also includes the intrinsic value of certain outstanding share-based awards for which it was not possible to reasonably estimate their grant-date fair value under the requirement of the U.S. guidance relating to accounting for stock-based compensation. Stock-based compensation expense for all share-based payment awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provision of the U.S. guidance relating to share-based payment. The Company recognizes the compensation costs using the graded vesting method over the requisite service period of the award, which is generally a five-year vesting period.

The options granted in 2010 and 2011 were measured at fair value using the Hull & White Model (2004) with Ritchken's Trinomial Tree Model (1995) (Note 22) which was changed from the Black-Scholes Model previously used because the Company could generate reliable data of historical option information granted to develop reasonable and supportable estimates for each of the input factors and the underlying assumptions by separate vesting portions and this change results in a better estimate of fair value.

Information regarding the Company's stock option plans is as follows:

ASE Inc. Option Plan

The grant date fair value for the employee stock option granted in 2010 and 2011 was NT$6.26 and NT$8.06 per unit, respectively. Other information regarding these employee stock option plans is provided in Note 22.

ASE Mauritius Inc. and USI Option Plan

Information regarding these employee stock option plans is provided in Note 22.

USIE Option Plan

The grant date fair value for the employee stock option granted in 2010 and 2011 was US$0.95 and US$0.87 per unit, respectively. Other information regarding these employee stock option plans is provided in Note 22.

As of December 31, 2012, there was NT$777,594 thousand (US$26,767 thousand) of total unrecognized compensation expense related to stock-based compensation plans of the Company. The unrecognized compensation expense of the Company is expected to be recognized over a weighted average period of 2.8 years.

f. Goodwill

As of December 31, 2011 and 2012, the Company had goodwill of NT$10,244,285 thousand and NT$10,181,080 thousand (US$350,467 thousand), respectively, primarily included in the testing segment.

Changes in the carrying amount of goodwill for the years ended December 31, 2011 and 2012, by segment, were as follows:

	Packaging	Testing	EMS	Other	Total	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance as of January 1, 2011	1,443,152	7,903,467	328,005	510,238	10,184,862	350,598
Goodwill acquired	-	-	-	6,934	6,934	239
Goodwill impaired	-	-	-	(6,934)	(6,934)	(239)
Translation adjustment	14,616	44,258	-	549	59,423	2,045

(Continued)

	Packaging	Testing	EMS	Other	Total	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance as of December 31, 2011	1,457,768	7,947,725	328,005	510,787	10,244,285	352,643
Goodwill acquired	1,454	-	-	-	1,454	50
Translation adjustment	(15,904)	(48,158)	-	(597)	(64,659)	(2,226)
Balance as of December 31, 2012	1,443,318	7,899,567	328,005	510,190	10,181,080	350,467

(Concluded)

Goodwill represents the excess of the purchase price over the estimated fair values of the net tangible and intangible assets. The factors that contributed to the recognition of goodwill primarily relate to expansion into new product areas and potential synergies created from combined capabilities. None of goodwill is expected to be deductible for tax purpose.

As of December 31, 2011 and 2012, the accumulated impairment loss of goodwill for the packaging and EMS segments was nil. The accumulated impairment loss of goodwill for the testing segment was NT$1,600,618 thousand (US$55,099 thousand) as of December 31, 2011 and 2012.

g. Intangible assets other than goodwill

Information of the intangible assets subject to amortization was as follows:

	December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Cost			
Land use rights	3,725,163	4,087,227	140,696
Customer relationship	1,704,635	1,704,635	58,679
Patents	1,228,165	1,232,013	42,410
Acquired special technology	709,088	709,088	24,409
Projects in progress	493,000	493,000	16,971
Others	9,238	646,392	22,251
	7,869,289	8,872,355	305,416
Accumulated amortization			
Land use rights	198,293	247,062	8,505
Customer relationship	661,985	854,748	29,423
Patents	659,626	962,546	33,134
Acquired special technology	508,180	649,998	22,375
Projects in progress	188,983	287,583	9,900
Others	273	203,490	7,004
	2,217,340	3,205,427	110,341
	5,651,949	5,666,928	195,075

The aggregate amortization expense for the years ended December 31, 2010, 2011 and 2012 was NT$828,980 thousand, NT$835,318 thousand and NT$859,914 thousand (US$29,601 thousand), respectively.

As of December 31, 2012, the future estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

	NT$	US$ (Note 2)
2013	728,355	25,072
2014	382,599	13,170
2015	271,943	9,361
2016	238,145	8,198
2017	213,017	7,333

h. Earnings per share

The U.S. guidance relating to earnings per share requires the presentation of basic and diluted earnings per share. Basic earnings per share were computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share included the effect of dilutive potential common shares (such as stock options issued calculated using the treasury stock method).

The following table presents the calculation of basic and diluted earnings per share:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Basic EPS				
Income attributable to shareholders of the parent	18,158,180	13,532,514	12,477,633	429,523
Effect of subsidiaries' stock option plans	(102,700)	-	(348)	(12)
Diluted EPS				
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	18,055,480	13,532,514	12,477,285	429,511
Weighted average outstanding shares (in thousands)				
Basic	7,506,498	7,514,719	7,445,469	
Effect of dilutive potential common stock	36,316	60,982	45,133	
Diluted	7,542,814	7,575,701	7,490,602	

For the years ended December 31, 2010, 2011 and 2012, no options or convertible bonds were excluded from the calculation of diluted EPS.

The denominator used for purposes of calculating earnings per ADS was the above-mentioned weighted average outstanding shares divided by five (one ADS represents five common shares). The numerator was the same as mentioned in the above EPS calculation.

i. Uncertainty in income taxes

In accordance with disclosure requirements under the U.S. guidance relating to accounting for uncertainty in income taxes, the following table summarizes the activity related to the gross unrecognized tax benefits for the years ended December 31, 2010, 2011 and 2012:

	Year Ended December 31			
	2010	2011	2012	
	NT$	NT$	NT$	US$ (Note 2)
Balance, beginning of year	19,319	17,576	66,828	2,300
Increase related to current year tax position	-	48,570	23,141	797
Translation adjustment	(1,743)	682	(743)	(26)
Balance, end of year	17,576	66,828	89,226	3,071

Upon adoption of the above-mentioned U.S. guidance, the Company recorded interest expense and penalties as interest expense and other non-operating expense, respectively. For the year ended December 31, 2010, the total amount of interest expense and penalties related to tax uncertainty was approximately NT$766 thousand. For the years ended December 31, 2011 and 2012, the interest expense and penalties were decreased by NT$7,065 thousand and NT$551 thousand (US$19 thousand), respectively, due to the reversal of tax uncertainty and the effect of exchange rate changes. The total amount of interest and penalties recognized as of December 31, 2011 and 2012 was NT$13,500 thousand and NT$12,949 thousand (US$446 thousand), respectively. As of December 31, 2012, the Company did not expect any material change to the amount of unrecognized tax benefit during the next twelve months.

j. Fair value disclosure

On January 1, 2008, the Company adopted the U.S. guidance relating to fair value measurements, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The U.S. guidance relating to fair value measurements defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the Company.

In addition to defining fair value, the U.S. guidance relating to fair value measurements expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 - Use unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Use observable inputs other than Level 1 prices such as quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation in which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Use inputs that are generally unobservable and reflect the use of significant management judgments and estimates.

The following section describes the valuation methodologies the Company uses to measure financial assets and liabilities at fair value.

Assets and liabilities measured at fair value on a recurring basis

The Company uses quoted prices in active markets for identical assets to determine fair value for the Level 1 investments such as open-end mutual funds and quoted stocks.

For derivative financial instruments, fair values are estimated using industry standard valuation models. These models use market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies to project fair value. The aforementioned financial instruments are included in Level 2.

For convertible bonds, an estimate of the fair value has not been obtained since the cost of an independent valuation appears excessive, considering the materiality of the investment to the Company. The aforementioned convertible bonds were measured and disclosed at cost and included in Level 3.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2012:

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
December 31, 2011				
Assets				
Derivative financial assets				
Swap contracts	-	478,504	-	478,504
Forward exchange contracts	-	10,812	-	10,812
Marketable securities - trading				
Open-end mutual funds	170,581	-	-	170,581
Quoted stocks	46,858	-	-	46,858
Marketable securities - available-for-sale				
Quoted stocks	197,052	-	-	197,052
Convertible bonds	-	-	90,825	90,825
	414,491	489,316	90,825	994,632
Liabilities				
Derivative financial liabilities				
Swap contracts	-	81,450	-	81,450
Interest rate swap contracts	-	58,279	-	58,279
Cross currency swap contracts	-	38,880	-	38,880
Forward exchange contracts	-	13,944	-	13,944
	-	192,553	-	192,553
December 31, 2012				
Assets				
Derivative financial assets				
Dual currency deposits	-	2,178,381	-	2,178,381

(Continued)

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
Structured time deposits	-	1,644,601	-	1,644,601
Swap contracts	-	18,890	-	18,890
Forward exchange contracts	-	3,326	-	3,326
Marketable securities - trading				
Open-end mutual funds	171,802	-	-	171,802
Quoted stocks	18,000	-	-	18,000
Marketable securities - available-for-sale				
Quoted stocks	301,146	-	-	301,146
Convertible bonds	-	-	87,120	87,120
	490,948	3,845,198	87,120	4,423,266
Liabilities				
Derivative financial liabilities				
Swap contracts	-	423,366	-	423,366
Forward exchange contracts	-	35,883	-	35,883
Foreign currency option contracts	-	7,899	-	7,899
Interest rate swap contracts	-	4,524	-	4,524
	-	471,672	-	471,672

(Concluded)

	Level 1	Level 2	Level 3	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
December 31, 2012				
Assets				
Derivative financial assets				
Dual currency deposits	-	74,987	-	74,987
Structured time deposits	-	56,613	-	56,613
Swap contracts	-	650	-	650
Forward exchange contracts	-	114	-	114
Marketable securities - trading				
Open-end mutual funds	5,914	-	-	5,914
Quoted stocks	620	-	-	620
Marketable securities - available-for-sale				
Quoted stocks	10,366	-	-	10,366
Convertible bonds	-	-	3,000	3,000
	16,900	132,364	3,000	152,264
Liabilities				
Derivative financial liabilities				
Swap contracts	-	14,574	-	14,574
Forward exchange contracts	-	1,235	-	1,235
Cross currency swap contracts	-	272	-	272
Interest rate swap contracts	-	156	-	156
	-	16,237	-	16,237

Reconciliation of the beginning and ending balance of marketable securities - available-for-sale classified as Level 3 and measured at fair value on a recurring basis for the years ended December 31, 2011 and 2012, respectively:

	Year Ended December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Balance, beginning of year	87,420	90,825	3,127
Translation adjustment	3,405	(3,705)	(127)
Balance, end of year	90,825	87,120	3,000

Assets measured at fair value on a nonrecurring basis

The Company measures fair values for certain assets including equity method investments, financial assets carried at cost, property, plant and equipment and intangible assets on a nonrecurring basis when they are deemed to be impaired. The valuation processes include controls that are designed to ensure appropriate fair values are derived. These controls include model validation, review of key model inputs, analysis of period-over-period fluctuations where appropriate, and etc.. Due to significant unobservable inputs used, the Company classified these measurements as Level 3.

The table below sets out the balances for those assets required to be measured at fair value on a nonrecurring basis and the associated losses recognized for the years ended December 31, 2011 and 2012:

	Balance	Level 1	Level 2	Level 3	Total Losses
	NT$	NT$	NT$	NT$	NT$
December 31, 2011					
Property, plant and equipment, net	27,708	-	-	27,708	315,787
Financial assets carried at cost - noncurrent	24,827	-	-	24,827	87,253
Goodwill	10,244,285	-	-	10,244,285	6,934
Equity method investments - SCT	-	-	-	-	6,117
	10,296,820	-	-	10,296,820	416,091
December 31, 2012					
Property, plant and equipment, net	64,591	-	-	64,591	73,541
Financial assets carried at cost - noncurrent	62,769	-	-	62,769	18,284
	127,360	-	-	127,360	91,825

	Balance	Level 1	Level 2	Level 3	Total Losses
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
December 31, 2012					
Property, plant and equipment, net	2,223	-	-	2,223	2,532
Financial assets carried at cost - noncurrent	2,161	-	-	2,161	629
	4,384	-	-	4,384	3,161

The carrying amount of a portion of specific property, plant and equipment were written off completely and recorded as an impairment loss when the Company determined those property, plant and equipment will not have future economic benefits in 2011 and 2012, respectively. In 2012, the fair value measurements of other portion of property, plant and equipment were determined based on independent appraisers' valuation reports applying the latest market transaction prices considering the remaining lives of the underlying assts. For the years ended December 31, 2011 and 2012, respectively, total carrying amount of property, plant and equipment of NT$343,495 thousand and NT$138,132 thousand (US$4,755 thousand) were written down to their fair value, NT$27,708 thousand and NT$64,591 thousand (US$2,223 thousand), resulting in NT$315,787 thousand and NT$73,541 thousand (US$2,532 thousand) impairment charge, included in earnings for the period.

As discussed in Note 32p, the Company recognized an impairment loss for private-placement shares in 2011 which were accounted as available-for-sale financial assets, under ROC GAAP, and reclassified as financial assets carried at cost – noncurrent, under U.S. GAAP, due to certain restrictions related to the Company's ability to sell the shares. The fair value of the private-placement shares was determined using the quoted market price in the Gre Tai Securities Market as the basis and then adjusted for the market discount of the selling restrictions for the lock-up period using the Black-Scholes Model within which the unobservable input, dividend yield, was set as zero.

As discussed in Note 11, the Company recognized an impairment loss for the financial assets carried at cost - noncurrent for the year ended December 31, 2012. The fair value of the instruments was determined using either the market approach, based on the performances of comparable listed companies with the adjustment for the market discount of 20% as an unobservable input due to the absence of quoted market prices, or the adjusted book value method, applying multiple approaches on components within the investments with multiple inputs might lie in ranges.

As discussed in Note 12, the Company determined the equity method investment on SCT had no future economic benefit. Therefore the Company wrote off its carrying amount completely and recognized an impairment loss in 2011.

Assets and liabilities not measured at but disclosed for fair value

The following table presents the Company's assets and liabilities not measured at but disclosed for fair value as of December 31, 2011 and 2012

	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$	NT$
December 31, 2011					
Assets					
Financial assets carried at cost - noncurrent	910,546	-	-	918,110	918,110
Guarantee deposits (including current portion)	133,775	133,775	-	-	133,775
Restricted assets (including current portion)	230,801	230,801	-	-	230,801
Liabilities					
Long-term bank loans (including current portion)	42,685,213	-	42,685,213	-	42,685,213
Capital lease obligations (including current portion)	66,086	-	66,086	-	66,086
Bonds payable	10,876,538	7,828,423	3,073,314	-	10,901,737
Long-term payable	200,000	-	200,000	-	200,000

(Continued)

	Carrying Amount NT$	Estimated Fair Value Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
December 31, 2012					
Assets					
Financial assets carried at cost - noncurrent	917,949	-	-	843,829	843,829
Guarantee deposits (including current portion)	118,834	118,384	-	-	118,384
Restricted assets (including current portion)	214,626	214,626	-	-	214,626
Liabilities					
Long-term bank loans (including current portion)	36,950,215	-	36,950,215	-	36,950,215
Capital lease obligations (including current portion)	50,696	-	50,696	-	50,696
Bonds payable	10,804,551	7,875,706	2,931,890	-	10,807,596

(Concluded)

	Carrying Amount US$ (Note 2)	Estimated Fair Value Level 1 US$ (Note 2)	Level 2 US$ (Note 2)	Level 3 US$ (Note 2)	Total US$ (Note 2)
December 31, 2012					
Assets					
Financial assets carried at cost - noncurrent	31,599	-	-	29,047	29,047
Guarantee deposits (including current portion)	4,075	4,075	-	-	4,075
Restricted assets (including current portion)	7,388	7,388	-	-	7,388
Liabilities					
Long-term bank loans (including current portion)	1,271,953	-	1,271,953	-	1,271,953
Capital lease obligations (including current portion)	1,746	-	1,746	-	1,746
Bonds payable	371,929	271,109	100,925	-	372,034

The Company used discounted cash flow method with observable market data, such as LIBOR based yield curve, to determine the fair values of long-term bank loans and capital lease obligations. The fair value of bonds payable was determined as aforementioned in Note 26b(5). These financial liabilities are therefore included in Level 2.

The estimated fair values of the financial assets listed in the table above classified as Level 3 were based on the aforementioned methodologies.

k. Business combination

USI Acquisition

As discussed in Note 2, the Company acquired additional outstanding common shares of USI in February 2010. The USI Acquisition was accounted for in accordance with the new U.S. guidance relating to business combination and noncontrolling interest in consolidated financial statements.

The following table summarizes the consideration paid for the USI common shares and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in USI.

	As of Acquisition Date
	NT$
Fair value of total consideration transferred	13,475,056
Fair value of the Company's equity interest in USI held before the business combination	3,870,461
	17,345,517
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets	29,599,349
Long-term investments	497,508
Property, plant and equipment, net	6,866,077
Other assets	1,613,584
Identifiable intangible assets	3,016,043
Liabilities assumed	(20,113,548)
	21,479,013
Noncontrolling interest in USI	(4,461,501)
Goodwill	328,005
	17,345,517

Acquisition-related costs (included in operating expenses) of the USI Acquisition for the year ended December 31, 2010 were NT$25,441 thousand.

Current assets, long-term investments, property, plant and equipment, other assets and liabilities were recorded at fair value. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill. The valuation of acquired intangible assets was determined based on management's estimates. The identifiable intangible assets acquired were as follows:

1) NT$1,033,000 thousand for patents that represent registered patent technologies in a current product offering and are amortized over the estimated residual useful life of 3.8 years.

2) NT$789,000 thousand for customer relationships that represents what a firm would be willing to pay USI in order to exploit revenue associated with existing customer relationships and are amortized over the estimated useful life of 8.3 years, following the pattern in which the expected benefits will be consumed.

3) NT$701,043 thousand for land use rights that are amortized over the remaining contractual period of 42.2 years.

4) NT$493,000 thousand for projects in-progress and are amortized over the estimated product useful life of 5 years.

The fair value of the noncontrolling interest in USI, a listed company, was measured by the market price. In addition, under the acquisition method of accounting, as the acquisition was achieved in stages, the Company recognized a non-operating gain of NT$1,462,692 thousand as a result of remeasuring to fair value for its 18.06% equity interest in USI held before the business combination.

The amounts of USI's revenues and earnings included in the Company's consolidated statement of income for U.S. GAAP purposes for the period from the acquisition date to December 31, 2010 were NT$59,577,374 thousand and NT$2,116,325 thousand, respectively.

EEMS Test Singapore Pte. Ltd. Acquisition

As discussed in Note 2, the Company, through ASE Singapore, acquired 100% shareholdings of EEMS Test Singapore Pte. Ltd. in August 2010 with a total consideration of US$72,163 thousand to enhance the testing segment. The EEMS Test Singapore Pte. Ltd. Acquisition was accounted for in accordance with the new U.S. guidance relating to business combinations in the consolidated financial statements.

Acquisition-related costs (included in operating expenses) of the EEMS Test Singapore Pte. Ltd. Acquisition for the year ended December 31, 2010 were NT$87,770 thousand. The amounts of EEMS Test Singapore Pte. Ltd.'s revenues and net loss attributable to the Company included in the Company's consolidated statement of income for U.S. GAAP purposes for the period from the acquisition date to December 31, 2010 were NT$561,075 thousand and NT$24,416 thousand, respectively.

The Company had completed the initial accounting for the EEMS Test Singapore Pte. Ltd. Acquisition in 2011 and recognized adjustments mainly related to property, plant and equipment to the provisional amounts as if the accounting for the EEMS Test Singapore Pte. Ltd. Acquisition had been completed at the acquisition date.

The carrying amount of property, plant, and equipment as of December 31, 2010 was increased by NT$93,542 thousand. That adjustment is measured as the fair value adjustment at the acquisition date of NT$120,732 thousand less the additional depreciation for 5 months, the adjustment related to assets disposed of and the effect of exchange rate changes that would have been recognized had the asset's fair value at the acquisition date been recognized from that date.

Depreciation expense and loss on disposed assets for 2010 was increased by NT$16,504 thousand.

The carrying amount of goodwill as of December 31, 2010 was decreased by NT$113,675 thousand.

Luchu Acquisition

As discussed in Note 2 and for long-term investment purpose, the Company acquired 84.25% shareholdings of Luchu in October and November 2011 with a total consideration of N$1,366,238 thousand. Luchu Acquisition was accounted for in accordance with the new U.S. guidance relating to business combinations in the consolidated financial statements.

The following table summarizes the consideration paid for Luchu common shares and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in Luchu.

	As of Acquisition Date
	NT$
Fair value of total consideration transferred	
Cash paid	166,238
Credit by accounts receivable	1,000,000
Other payables	200,000
	1,366,238

	As of Acquisition Date
	NT$
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets	1,636,455
Other assets	4
Liabilities assumed	(60,981)
	1,575,478
Noncontrolling interest in Luchu	(216,174)
Goodwill	6,934
	1,366,238

Current assets, other assets and liabilities were recorded at fair value. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill.

Luchu generated no revenue in 2011. The amounts of Luchu's net loss attributable to the Company included in the Company's consolidated statement of income for U.S. GAAP purposes for the period from the acquisition date to December 31, 2011 were NT$577 thousand.

Yang Ting Acquisition

As discussed in Note 2 and for expanding business in discrete packaging and testing, the Company acquired 100% shareholdings of Yang Ting in January 2012 with a total consideration of N$300,016 thousand (US$10,328 thousand). Yang Ting Acquisition was accounted for in accordance with U.S. GAAP relating to business combinations in the consolidated financial statements.

The following table summarizes the consideration paid for Yang Ting common shares and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	As of Acquisition Date	
	NT$	US$ (Note 2)
Fair value of total consideration transferred		
Cash paid	300,016	10,328
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	171,015	5,887
Property, plant and equipment, net	265,902	9,153
Other assets	4,574	158
Current liabilities	(96,929)	(3,337)
Long-term bank loans	(44,800)	(1,542)
Other liabilities	(1,200)	(41)
	298,562	10,278
Goodwill	1,454	50
	300,016	10,328

The identifiable assets acquired and liabilities assumed were recorded at fair value. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill. The amounts of Yang Ting's revenues and net loss attributable to the Company included in the Company's consolidated statement of income for U.S. GAAP purpose for the period from the acquisition date to December 31, 2012 were NT$321,748 thousand (US$ 11,076 thousand) and NT$ 183,010 thousand (US$ 6,300 thousand).

The following unaudited pro forma information is for illustrative purposes only and presents the results of operations for the years ended December 31, 2011 and 2012 and under U.S. GAAP as though the Luchu Acquisition and Yang Ting Acquisition had occurred at the beginning of each of the periods presented. The unaudited pro forma financial information is not necessarily indicative of the consolidated results of operations in future periods or the results that actually would have been realized had the Company, Luchu and Yang Ting been a combined company during the specified periods. The unaudited pro forma financial information under U.S. GAAP does not reflect any operating efficiencies or cost savings the Company may achieve as a result of the acquisitions.

	Year Ended December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Net revenues	185,751,552	193,972,392	6,677,191
Net income	13,473,196	12,927,321	445,003

l. Net income attributable to shareholders of the parent and transfers to noncontrolling interest

	Year Ended December 31		
	2011	2012	
	NT$	NT$	US$ (Note 2)
Net income attributable to shareholders of the parent	13,532,514	12,477,633	429,523
Transfers to noncontrolling interest:			
Decrease in the parent's capital surplus for the purchase of subsidiaries' common shares from noncontrolling interest	(303,748)	-	-
Change from net income attributable to shareholders of the parent and transfers from noncontrolling interest	13,228,766	12,477,633	429,523