Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements as of December 31, 2010 and 2011 and for the Years Ended December 31, 2009, 2010 and 2011 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, 2010 and 2011, 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, 2011, 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 Rules Governing the Audit of Financial Statements by Certified Public Accountants, auditing standards generally accepted in the Republic of China ("ROC") and the Standards of the Public Company Accounting Oversight Board (United States). 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, 2010 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the ROC.

As discussed in Note 2 to the consolidated financial statements, the Company completed the tender offerings for the common shares of Universal Scientific Industrial Co., Ltd. ("USI") in February and August 2010, respectively. Upon the completion of the tender offerings, USI became a subsidiary of the Company. As a result, the consolidated results of operations of USI and its subsidiaries from the date of acquisition had been included in the consolidated financial statements referred to above.

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 33 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), the Company's internal control over financial reporting as of December 31, 2011, 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 11, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 11, 2012

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	December 31		
	2010	2011	
ASSETS	**NT$**	**NT$**	**US$ (Note 2)**
CURRENT ASSETS			
Cash (Note 4)	$ 23,397,557	$ 24,421,789	$ 806,798
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,195,273	706,755	23,348
Available-for-sale financial assets - current (Notes 2, 6 and 11)	338,094	48,794	1,612
Hedging derivative assets - current (Notes 2 and 26)	163,670	-	-
Bond investments with no active market - current (Notes 2 and 7)	-	90,825	3,001
Accounts receivable, net (Notes 2, 3 and 8)	33,381,917	30,475,788	1,006,799
Other receivables	1,078,537	693,016	22,894
Inventories (Note 2 and 9)	13,170,779	13,920,757	459,886
Inventories related to construction business (Notes 2, 10 and 28)	10,125,370	16,149,498	533,515
Deferred income tax assets - current (Notes 2 and 23)	919,261	1,135,525	37,513
Other current assets (Note 28)	1,828,467	2,488,943	82,225
Total current assets	85,598,925	90,131,690	2,977,591
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	310,426	173,085	5,718
Financial assets carried at cost - noncurrent (Notes 2, 7 and 11)	843,740	893,283	29,511
Bond investments with no active market - noncurrent (Notes 2 and 7)	87,420	-	-
Equity method investments (Notes 2 and 12)	1,158,498	1,154,360	38,135
Total long-term investments	2,400,084	2,220,728	73,364
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 28 and 29)			
Cost			
Land	3,065,169	3,075,183	101,592
Buildings and improvements	50,322,341	55,738,712	1,841,385
Machinery and equipment	157,001,044	175,652,291	5,802,851
Transportation equipment	247,876	291,694	9,636
Furniture and fixtures	5,097,742	4,965,374	164,036
Leased assets and leasehold improvements	436,640	666,370	22,014
Total cost	216,170,812	240,389,624	7,941,514
Less: Accumulated depreciation	(122,437,240)	(137,123,072)	(4,529,999)
Accumulated impairment	(191,210)	(313,969)	(10,372)
	93,542,362	102,952,583	3,401,143
Construction in progress	1,773,002	4,059,709	134,116
Machinery in transit and prepayments	4,538,548	4,766,744	157,474
Property, plant and equipment, net	99,853,912	111,779,036	3,692,733
INTANGIBLE ASSETS (Notes 2 and 14)			
Goodwill	10,408,023	10,374,501	342,732
Land use rights	2,173,907	3,420,700	113,006
Other intangible assets	2,666,190	1,977,214	65,320
Total intangible assets	15,248,120	15,772,415	521,058
OTHER ASSETS			
Idle assets (Notes 2 and 15)	1,249,047	1,114,054	36,804
Guarantee deposits	78,453	99,779	3,296
Deferred charges (Note 2)	1,381,510	1,045,356	34,534
Deferred income tax assets - noncurrent (Notes 2 and 23)	2,067,877	1,459,103	48,203
Restricted assets (Note 28)	236,516	218,178	7,208
Other	25,321	37,756	1,248
Total other assets	5,038,724	3,974,226	131,293
TOTAL	$ 208,139,765	$ 223,878,095	$ 7,396,039

	December 31		
	2010	2011	
LIABILITIES AND SHAREHOLDERS' EQUITY	**NT$**	**NT$**	**US$ (Note 2)**
CURRENT LIABILITIES			
Short-term borrowings (Note 16)	$ 14,154,518	$ 22,965,133	$ 758,676
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	488,818	134,274	4,436
Hedging derivative liabilities - current (Notes 2 and 26)	457,494	-	-
Accounts payable	24,389,249	21,191,923	700,096
Income tax payable (Note 2)	2,739,711	2,400,592	79,306
Accrued expenses (Notes 17 and 20)	7,843,657	8,939,719	295,333
Payable for properties	4,085,408	5,699,504	188,289
Advance real estate receipts (Note 2)	41,375	47,667	1,575
Current portion of long-term bank loans (Notes 19 and 28)	2,990,176	3,418,799	112,943
Current portion of capital lease obligations (Note 2)	28,838	42,161	1,393
Other current liabilities	2,515,258	1,922,113	63,499
Total current liabilities	59,734,502	66,761,885	2,205,546
LONG-TERM LIABILITIES			
Hedging derivative liabilities - noncurrent (Notes 2 and 26)	159,279	58,279	1,925
Bonds payable (Note 18)	-	10,876,538	359,318
Long-term bank loans (Notes 19 and 28)	52,363,718	39,266,414	1,297,206
Capital lease obligations (Note 2)	10,782	23,925	790
Total long-term liabilities	52,533,779	50,225,156	1,659,239
OTHER LIABILITIES			
Accrued pension cost (Notes 2 and 20)	3,250,439	3,304,841	109,179
Deferred income tax liabilities - noncurrent (Notes 2 and 23)	372,525	624,740	20,639
Other	409,195	678,979	22,430
Total other liabilities	4,032,159	4,608,560	152,248
Total liabilities	116,300,440	121,595,601	4,017,033
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Capital stock (Note 21)			
Common Stock - at par value of NT$10 each			
Authorized - 8,000,000 thousand shares and 9,500,000 thousand shares as of December 31, 2010 and 2011, respectively			
Issued - 6,051,987 thousand shares and 6,753,563 thousand shares as of December 31, 2010 and 2011, respectively	60,519,872	67,535,632	2,231,108
Capital received in advance	299,698	35,693	1,179
Total capital stock	60,819,570	67,571,325	2,232,287
Capital surplus (Notes 2, 21 and 22)			
Capital in excess of par value	1,197,845	1,615,449	53,368
Treasury stock transactions	2,136,353	1,402,632	46,337
Long-term investments	3,527,240	3,522,280	116,362
Employee stock options	319,147	857,120	28,316
Total capital surplus	7,180,585	7,397,481	244,383
Retained earnings (Note 21)	24,972,944	27,809,126	918,703
Other equity adjustments (Notes 2, 20 and 21)			
Unrealized gain on financial instruments	246,303	235,088	7,766
Cumulative translation adjustments	(1,120,618)	3,353,938	110,801
Unrecognized pension cost	(398,103)	(465,681)	(15,384)
Treasury stock - 151,792 thousand shares and 233,456 thousand shares as of December 31, 2010 and 2011, respectively	(3,144,312)	(4,731,741)	(156,318)
Total other equity adjustments	(4,416,730)	(1,608,396)	(53,135)
Total equity attributable to shareholders of the parent	88,556,369	101,169,536	3,342,238
MINORITY INTEREST	3,282,956	1,112,958	36,768
Total shareholders' equity	91,839,325	102,282,494	3,379,006
TOTAL	$ 208,139,765	$ 223,878,095	$ 7,396,039

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated April 11, 2012)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
NET REVENUES (Note 2)				
Packaging	$ 67,935,456	$ 101,071,294	$ 102,677,289	$ 3,392,048
Testing	15,795,108	21,956,997	21,932,231	724,553
Electronic manufacturing service	-	59,577,374	57,850,415	1,911,147
Other	2,044,750	6,137,132	2,887,271	95,384
Total net revenues	85,775,314	188,742,797	185,347,206	6,123,132
COST OF REVENUES (Notes 9, 10 and 24)				
Packaging	55,387,593	79,750,674	82,470,911	2,724,510
Testing	11,342,103	13,711,338	14,953,679	494,010
Electronic manufacturing service	-	53,095,183	51,499,967	1,701,353
Other	703,948	1,641,029	1,413,846	46,708
Total cost of revenues	67,433,644	148,198,224	150,338,403	4,966,581
GROSS PROFIT	18,341,670	40,544,573	35,008,803	1,156,551
OPERATING EXPENSES (Notes 24 and 27)				
Research and development	3,611,950	6,162,191	7,117,964	235,149
Selling	1,209,199	2,909,643	2,770,045	91,511
General and administrative	4,310,692	7,373,733	8,299,543	274,184
Total operating expenses	9,131,841	16,445,567	18,187,552	600,844
INCOME FROM OPERATIONS	9,209,829	24,099,006	16,821,251	555,707
NON-OPERATING INCOME AND GAINS				
Interest income (Note 26)	173,870	215,228	330,674	10,924
Gain on valuation of financial assets, net (Notes 2 and 5)	934,938	1,169,434	1,118,488	36,950
Foreign exchange gain, net (Note 2)	4,203	317,553	36,203	1,196
Equity in earnings of equity method investments (Notes 2 and 12)	330,117	72,980	96,938	3,202
Dividend income (Note 2)	4,345	11,551	621,488	20,532
Gain on disposal of property, plant and equipment (Note 2)	-	-	82,485	2,725
Others	615,849	770,201	772,432	25,518
Total non-operating income and gains	2,063,322	2,556,947	3,058,708	101,047
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 10, 13 and 26)	1,508,023	1,386,011	1,666,325	55,049
Loss on valuation of financial liabilities, net (Notes 2 and 5)	645,774	1,092,316	250,435	8,273
Impairment loss (Notes 2, 6, 12, 13, 14 and 15)	11,117	251,402	448,056	14,802
Loss on disposal of property, plant and equipment (Note 2)	26,208	445,276	-	-
Others	693,639	657,319	517,982	17,112
Total non-operating expenses and losses	2,884,761	3,832,324	2,882,798	95,236
INCOME BEFORE INCOME TAX	8,388,390	22,823,629	16,997,161	561,518
INCOME TAX EXPENSE (Notes 2 and 23)	1,484,922	3,628,740	3,018,212	99,709
NET INCOME	$ 6,903,468	$ 19,194,889	$ 13,978,949	$ 461,809
ATTRIBUTABLE TO				
Shareholders of the parent	$ 6,744,546	$ 18,337,500	$ 13,725,958	$ 453,451
Minority interest	158,922	857,389	252,991	8,358
	$ 6,903,468	$ 19,194,889	$ 13,978,949	$ 461,809

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
EARNINGS PER SHARE (Note 25)				
Basic earnings per share				
Before income tax	$ 1.21	$ 2.89	$ 2.28	$ 0.08
After income tax	$ 1.07	$ 2.78	$ 2.08	$ 0.07
Diluted earnings per share				
Before income tax	$ 1.20	$ 2.83	$ 2.23	$ 0.07
After income tax	$ 1.05	$ 2.73	$ 2.03	$ 0.07
EARNINGS PER ADS (Note 25)				
Basic earnings per ADS				
Before income tax	$ 6.06	$ 14.45	$ 11.42	$ 0.38
After income tax	$ 5.33	$ 13.92	$ 10.41	$ 0.34
Diluted earnings per ADS				
Before income tax	$ 5.98	$ 14.16	$ 11.14	$ 0.37
After income tax	$ 5.26	$ 13.64	$ 10.16	$ 0.34

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

(With Deloitte & Touche audit report dated April 11, 2012) (Concluded)

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
New Taiwan Dollars													
BALANCE, JANUARY 1, 2009	$ 56,904,278	$ 3,387	$ 6,373,287	$ 2,915,029	$ -	$ 6,306,375	$ 9,221,404	$ (439,438)	$ 4,873,957	$ (230,401)	$ (7,034,480)	$ 2,288,748	$ 71,960,742
Appropriations of 2008 earnings													
Legal reserve	-	-	-	616,005	-	(616,005)	-	-	-	-	-	-	-
Cash dividends - 5.0%	-	-	-	-	-	(2,736,568)	(2,736,568)	-	-	-	-	-	(2,736,568)
Adjustment of equity method investments	-	-	1,369	-	-	27	27	380,464	-	8,793	-	-	390,653
Cash dividends received by subsidiaries from parent company	-	-	160,895	-	-	-	-	-	-	-	-	-	160,895
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	84,472	-	-	-	-	84,472
Stock options exercised by employees	74,245	131,818	32,726	-	-	-	-	-	-	-	-	-	238,789
Net income in 2009	-	-	-	-	-	6,744,546	6,744,546	-	-	-	-	158,922	6,903,468
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(1,597,449)	-	-	433,118	(1,164,331)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(27,033)	-	3,545	(23,488)
Acquisition of treasury stock - 109,274 thousand shares	-	-	-	-	-	-	-	-	-	-	(1,314,273)	-	(1,314,273)
Retirement of treasury stock - 217,974 thousand shares	(2,179,740)	-	(234,522)	-	-	-	-	-	-	-	2,414,262	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	213,335	213,335
BALANCE, DECEMBER 31, 2009	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
BALANCE, DECEMBER 31, 2011 (U.S. Dollars (Note 2))	$ 2,231,108	$ 1,179	$ 244,383	$ 199,512	$ 42,036	$ 677,155	$ 918,703	$ 7,766	$ 110,801	$ (15,384)	$ (156,318)	$ 36,768	$ 3,379,006

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

(With Deloitte & Touche audit report dated April 11, 2012)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 6,903,468	$ 19,194,889	$ 13,978,949	$ 461,809
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	16,775,929	18,473,333	21,319,438	704,309
Amortization	862,153	1,381,140	1,625,958	53,715
Compensation cost for employee stock options granted	-	319,147	537,973	17,772
Provision for inventory valuation and obsolescence	191,904	340,268	433,418	14,318
Equity in earnings of equity method investments	(330,117)	(72,980)	(96,938)	(3,202)
Cash dividends received from equity method investments	82,299	20,589	27,452	907
Deferred income taxes	229,744	55,764	460,403	15,210
Impairment loss	11,117	251,402	448,056	14,802
Loss (gain) on disposal of property, plant and equipment	26,208	445,276	(82,485)	(2,725)
Others	380,208	(783,535)	683,748	22,588
Changes in operating assets and liabilities				
Financial assets for trading	(487,231)	(75,120)	488,518	16,139
Accounts receivable	(6,564,102)	(1,472,061)	765,343	25,284
Other receivables	(35,730)	(394,236)	376,945	12,453
Inventories	(1,509,143)	(2,171,624)	(1,191,659)	(39,368)
Inventories related to construction business	(6,107,080)	(2,874,177)	(3,908,426)	(129,119)
Other current assets	(411,045)	(132,716)	(697,969)	(23,058)
Financial liabilities for trading	(8,346)	410,778	(354,544)	(11,713)
Accounts payable	3,786,668	1,656,567	(3,197,294)	(105,626)
Income tax payable	(83,789)	1,462,879	(339,119)	(11,203)
Accrued expenses	259,250	2,239,267	1,095,081	36,177
Advance real estate receipts	1,507,472	(1,466,097)	6,292	208
Other current liabilities and other liabilities	37,391	156,341	(442,434)	(14,616)
Net cash provided by operating activities	15,517,228	36,965,094	31,936,706	1,055,061
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets	(42,695,001)	(16,670,994)	(1,700,000)	(56,161)
Proceeds from disposal of available-for-sale financial assets	38,971,185	20,883,928	2,078,725	68,673
Acquisition of bond investments with no active market	(97,740)	-	-	-
Proceeds from disposal of bond investments with no active market	450,000	-	-	-
Acquisition of financial assets carried at cost	(154,544)	(42,892)	(97,130)	(3,209)
Cash received from return of capital by financial assets carried at cost	3,203	28,556	24,308	803
Acquisition of equity method investments	(84,000)	-	(285,709)	(9,439)
Acquisition of subsidiaries	-	(6,181,583)	(2,106,203)	(69,581)
Cash received from return of capital by equity method investments	-	3,169	267,478	8,836
Acquisition of property, plant and equipment	(11,445,621)	(34,109,113)	(29,417,906)	(971,850)
Proceeds from disposal of property, plant and equipment	93,116	261,010	1,292,012	42,683
Decrease (increase) in guarantee deposits	(246,280)	255,260	(40,405)	(1,335)
Decrease (increase) in other receivables	(450,000)	450,000	-	-
Decrease (increase) in restricted assets	13,851	(17,834)	55,505	1,834

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Acquisition of intangible assets	$ (1,020)	$ (231,813)	$ (1,158,835)	$ (38,283)
Increase in other assets	(337,864)	(713,149)	(942,537)	(31,138)
Net cash used in investing activities	(15,980,715)	(36,085,455)	(32,030,697)	(1,058,167)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of):				
Short-term borrowings	4,245,726	(2,714,111)	8,810,615	291,067
Bonds payable	(1,375,000)	-	-	-
Proceeds from long-term bank loans	31,145,664	32,586,219	29,852,451	986,206
Repayments of long-term bank loans and net changes in capital lease obligations	(33,385,917)	(25,792,377)	(43,757,641)	(1,445,578)
Issuance of bonds payable	-	-	10,841,834	358,171
Increase (decrease) in guarantee deposits received	28,800	(2,269)	(6,789)	(224)
Cash dividends, net of cash dividends received by subsidiaries	(2,575,673)	(1,940,654)	(3,858,259)	(127,461)
Proceeds from exercise of stock options by employees	238,789	499,404	589,326	19,469
Repurchase of treasury stock	(1,314,273)	(1,185,205)	(2,772,634)	(91,597)
Increase (decrease) in minority interest	213,335	250,448	(41,537)	(1,372)
Net cash provided by (used in) financing activities	(2,778,549)	1,701,455	(342,634)	(11,319)
EFFECT OF EXCHANGE RATE CHANGES	(339,400)	(1,741,031)	1,460,857	48,261
NET INCREASE (DECREASE) IN CASH	(3,581,436)	840,063	1,024,232	33,836
CASH, BEGINNING OF YEAR	26,138,930	22,557,494	23,397,557	772,962
CASH, END OF YEAR	$ 22,557,494	$ 23,397,557	$ 24,421,789	$ 806,798
SUPPLEMENTAL INFORMATION				
Interest paid	$ 1,832,333	$ 1,683,056	$ 1,784,181	$ 58,943
Less: Capitalized interest	(173,169)	(296,827)	(263,307)	(8,699)
Interest paid (excluding capitalized interest)	$ 1,659,164	$ 1,386,229	$ 1,520,874	$ 50,244
Income tax paid	$ 1,338,967	$ 2,110,097	$ 2,896,928	$ 95,703
Cash paid for acquisition of property, plant and equipment				
Acquisition of property, plant and equipment	$ 12,631,932	$ 34,761,050	$ 31,032,002	$ 1,025,173
Increase in payable	(1,186,311)	(651,937)	(1,614,096)	(53,323)
	$ 11,445,621	$ 34,109,113	$ 29,417,906	$ 971,850
Cash received from disposal of property, plant and equipment				
Proceeds from disposal of property, plant and equipment	$ 115,263	$ 290,165	$ 1,283,436	$ 42,400
Decrease (increase) in other receivables	(22,147)	(29,155)	8,576	283
	$ 93,116	$ 261,010	$ 1,292,012	$ 42,683
FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS				
Current portion of long-term bank loans	$ 923,284	$ 2,990,176	$ 3,418,799	$ 112,943
Current portion of capital lease obligations	12,055	28,838	42,161	1,393
Payable to minority interest	-	718,023	-	-

(Continued)

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." or including its subsidiaries, collectively the "Company"), and its subsidiaries 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 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 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 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$	US$ (Note 2)
Current assets	$ 1,636,455	$ 54,062
Other assets	4	-
Current liabilities	(981)	(32)
Long-term bank loans	(60,000)	(1,982)
	1,575,478	52,048
Percentage of acquired shareholdings	84.25%	84.25%
	1,327,339	43,850
Goodwill (Note 14)	38,899	1,285
Total consideration	1,366,238	45,135
Less : Cash received of acquired company at acquisition date	(13,709)	(453)
Credit by accounts receivable	(1,000,000)	(33,036)
Other payables under "other liabilities – other"	(200,000)	(6,607)
Net cash outflow from the acquisition	$ 152,529	$ 5,039

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

(With Deloitte & Touche audit report dated April 11, 2012) (Concluded)

(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 IC packaging, testing service, 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 American depositary shares ("ADS").

As of December 31, 2010 and 2011, the Company had approximately 48,900 and 51,400 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with 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 accounting principles generally accepted in the United States of America ("U.S. GAAP") (Note 33). The accompanying consolidated balance sheets are presented as of December 31, 2010 and 2011, 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, 2011.

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**	**2010**	**2011**	**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
	Omniquest Industrial Limited ("Omniquest")	70.6	70.6	Holding company

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	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	55.7	99.6	Engaged in the packaging and testing of memory integrated circuits
	USI	74.2	74.2	Engaged in the manufacturing, processing and sale of computer peripherals, computers and related accessories
PowerASE	Luchu	-	84.3	Will engage in the development of real estate properties
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”)	24.5	47.1	Engaged in the packaging and testing of semiconductors
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	100.0	In the process of liquidation
	ASE Holding Electronics (Philippines), Incorporated	100.0	100.0	In the process of liquidation
	ASE Investment (Labuan) Inc.	70.0	70.0	Holding company
	ASE Test Limited (“ASE Test”)	10.2	10.2	Holding company
	USI	1.5	1.5	As aforementioned
ASE Investment (Labuan) Inc.	ASE (Korea) Inc. (“ASE Korea”)	100.0	100.0	Engaged in the packaging and testing of semiconductors
ASE Korea	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 the leasing equipment and investing activity
	ASE Japan Co., Ltd. (“ASE Japan”)	100.0	100.0	Engaged in the packaging and testing of semiconductors

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	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
	USI	8.2	8.2	As aforementioned
	Anstock Limited	-	100.0	Established in June 2011 and engaged in financing activity
Innosource	ASE Module (Shanghai) Inc. (“ASE Module Shanghai”)	100.0	100.0	Will engage in the production 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	100.0	In the development stage and will be merged into ASE Shanghai
	ASE Kun Shan	75.5	52.9	As aforementioned
	ASE Shanghai	98.8	98.8	As aforementioned
	ASE Module (Kunshan) Inc.	100.0	100.0	Will engage in the production of electronic components
ASE Shanghai	Shanghai Ding Hui Real Estate Development Co., Ltd. (“Shanghai DH”)	20.4	13.5	Engaged in the development, construction and sale of real estate properties
	Advanced Semiconductor Engineering (HK) Limited	100.0	100.0	Engaged in trading

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	Universal Scientific Industrial (Shanghai) Co., Ltd. ("USISH")	0.5	1.0	Engaged in the designing, manufacturing and sale of new electronic components and the additional 0.5% ownership was restructured from USI Electronics (Shenzhen) Co., Ltd. ("USISZ") in January 2011
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
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 testing of semiconductors
	USI	15.2	15.2	As aforementioned
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
ASE Singapore	ASE Singapore II Pte. Ltd.	100.0	-	Engaged in the testing of semiconductors
GAPT Cayman	ASE Assembly & Test (HK) Limited	100.0	100.0	In the process of liquidation
	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 development stage

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	ASE Shanghai	0.6	0.6	As aforementioned
	Shanghai DH	69.6	86.5	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 the investing activity
	Ta-Chi Investment Co., Ltd.	100.0	100.0	Engaged in the investing activity
HHI	Universal Scientific Industrial De Mexico S.A. De C.V. (“USI Mexico”)	100.0	-	Engaged in the assembling of motherboards and computer components and 100% ownership was restructured to be held by Universal Global Technology Co., Limited (“UG”) and Universal Global Industrial Co., Limited (“UGHK”) in April 2011
	Universal Scientific Industrial Co. (UK) Limited	100.0	100.0	After-sales service
	Unitech Holdings International Co., Ltd.	100.0	100.0	Holding company
	USI Japan Co., Ltd.	100.0	-	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories and was restructured to be held by UG in February 2011
	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
	USI@Work, Inc.	100.0	-	After-sales service and was restructured to be held by UG in February 2011
	Universal ABIT Holding Co., Ltd. (“UABIT Holding”)	100.0	100.0	Holding company
	Rising Capital Investment Limited (“RCI”)	-	100.0	Holding company and was established in February 2011

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	Rise Accord Limited (“RA”)	-	100.0	Holding company and was established in August 2011
RCI	e-Cloud Corporation	-	100.0	Engaged in trading of computer systems and was established in March 2011
RA	Cubuy Corporation	-	100.0	Will engage in trading of computer systems and was established in December 2011
RTH	USISZ	100.0	-	Engaged in the designing, manufacturing and sale of motherboards, computer peripherals and other related accessories and was restructured to be held by USISH and UG in March 2011
	Universal Scientific Industrial (Kunshan) Co., Ltd.	100.0	100.0	Engaged in the manufacturing and sale of computer assistance system and related peripherals
	Universal Electronics Holding Co., Ltd. (“UEHC”)	100.0	-	Holding company and was dissolved in May 2011 and transferred its ownership of USI Enterprise Limited (“USIE”) to RTH
	USIE	-	100.0	Holding company
USISZ	USISH	0.5	-	As aforementioned
UEHC	USIE	100.0	-	As aforementioned
USIE	USISH	99.0	99.0	As aforementioned
USISH	UG	100.0	100.0	Holding company
	Universal Global Technology (Kunshan) Co., Ltd.	-	100.0	Engaged in the designing and manufacturing of electronic components and was established in July 2011
	Universal Global Technology (Shenzhen) Co., Ltd. (“UGSZ”)	50.0	50.0	Engaged in the research and development of computer peripherals
	USISZ	-	50.0	As aforementioned
UG	UGSZ	50.0	50.0	As aforementioned

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2010	2011	Remark
	UGHK	100.0	100.0	Engaged in the manufacturing, trading and investing activities
	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	As aforementioned
	USI @ Work, Inc.	-	100.0	As aforementioned
	USISZ	-	50.0	As aforementioned
	USI Mexico	-	99.9	As aforementioned
UGHK	USI Mexico	-	0.1	As aforementioned
UABIT Holding	Universal ABIT NL B.V.	100.0	-	Engaged in the trading of motherboards and computer peripherals and was dissolved in November 2011

(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 had 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. continued to acquire 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

ASE Inc. had launched a cash tender offer to buy 106,808 thousand shares of PowerASE during November and December 2011 with a total consideration of NT$1,972,194 thousand (US$65,153 thousand) of which NT$1,081,071 thousand (US$35,714 thousand) was offset by accounts receivable due from PSC, purchased from PowerASE. In addition, the Company acquired 50 thousand outstanding shares of ASE Test, Inc. for NT$4,282 thousand (US$141 thousand) in December 2011. Moreover, the Company, through ASEAT SH, acquired 10% outstanding shareholdings of Shanghai DH for NT$1,058,269 thousand (US$34,961 thousand, the amount in transaction currency was CNY221,500 thousand) in November 2011 (Note 27).

d. Luchu Acquisition

The Company 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 (US$45,135 thousand) of which NT$1,000,000 thousand (US$33,036 thousand) was credited by the accounts receivable due from PSC.

The abovementioned acquisitions were accounted for as a purchase 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 date. These acquisitions resulted in stepping up acquirees’ net assets to fair value for the acquired interests.

Had the Company acquired the abovementioned shareholdings on January 1, 2010, the pro forma information is as follows:

	Year Ended December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Net Revenue	194,099,705	185,347,206	6,123,132
Net Income	19,203,446	13,675,798	451,794
Attributable to			
Shareholders of the parent	19,141,187	13,654,783	451,100
Minority interest	62,259	21,015	694
	19,203,446	13,675,798	451,794
Earnings Per Share			
Basic EPS (in dollar)	2.89	2.07	0.07
Diluted EPS (in dollar)	2.83	2.02	0.07

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 during 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 greater 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

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 fair value through profit or loss ("FVTPL") are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to 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; bonds 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. 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 currently. A subsequent reversal of such impairment loss is not allowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market 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

As discussed in Note 3 to the consolidated financial statements, the Company adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement" ("SFAS No. 34"). 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 collective 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.

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.

Inventory related to construction business includes buildings and land 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 buildings and land held for sale upon completion of the construction. Construction in progress, buildings and land held for sale 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 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. Cost of sales of buildings and land 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 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 existing ownership percentage, 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 paid.

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

Patents, land use rights and other intangible assets purchased are initially recorded at cost. Land use rights, patents, acquired special technology, customer relationships 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. Effective January 1, 2006, goodwill is no longer 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, 2009, 2010 and 2011, the amortization expense was NT$579,281 thousand, NT$704,089 thousand and NT$883,470 thousand (US$29,186 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 reader, 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$30.27 to US$1.00 as of December 30, 2011. 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. 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.

Operating Segments

From January 1, 2011, the Company adopted the newly issued ROC SFAS No. 41, “Operating Segments” (“ROC SFAS No. 41”). The statement requires that segment information be disclosed based on the information regarding the components of the Company that management uses to make decisions regarding operating matters. ROC SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company’s chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes ROC SFAS No. 20, “Segment Reporting”. The Company conformed to the disclosure requirements as of and for the year ended December 31, 2011. The information for the years ended December 31, 2009 and 2010 has been recast to reflect the new segment reporting requirement.

4. CASH

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Cash on hand	8,474	10,240	338
Checking and saving accounts	14,790,560	13,879,155	458,512
Time deposits	8,598,523	10,532,394	347,948
	23,397,557	24,421,789	806,798

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Financial assets for trading - current			
Swap contracts	173,389	478,504	15,808
Open-end mutual funds	590,168	170,581	5,635
Quoted stocks	94,661	46,858	1,548
Forward exchange contracts	48,569	10,812	357
Financial notes	288,486	-	-
	1,195,273	706,755	23,348
Financial liabilities for trading - current			
Swap contracts	394,747	81,450	2,691
Cross currency swap contracts	80,314	38,880	1,284
Forward exchange contracts	13,757	13,944	461
	488,818	134,274	4,436

The Company entered into derivative contracts to manage exposures to foreign exchange 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 on such derivative transactions not qualified for hedge accounting is as follows:

a. Swap contracts

The outstanding swap contracts of the Company as of December 31, 2010 and 2011 were as follows:

Currency	Maturity Period	Contract Amount (In Thousands)
December 31, 2010		
NT$/US$	2011.01-2011.12	NT$10,888,924/US$363,000
US$/NT$	2011.01-2011.02	US$151,143/NT$4,545,445
US$/JPY	2011.12	US$49,264/JPY4,100,000

(Continued)

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

(Concluded)

b. Forward exchange contracts

The outstanding forward exchange contracts of the Company as of December 31, 2010 and 2011 were as follows:

Currency	Maturity Period	Contract Amount (In Thousands)
December 31, 2010		
US$/JPY	2011.01	US$23,550/JPY1,958,459
US$/NT$	2011.01	US$58,250/NT$1,715,329
US$/MYR	2011.01-2011.03	US$13,000/MYR40,706
NT$/US$	2011.01	NT$714,996/US$24,000
US$/CNY	2011.01	US$13,000/CNY86,490
US$/SGD	2011.01	US$4,300/SGD5,633
US$/EUR	2011.01	US$1,325/EUR1,000
EUR/US$	2011.01-2011.02	EUR2,900/US$3,911
December 31, 2011		
US$/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

c. Cross currency swap contracts

As of December 31, 2010 and 2011, the notional amount of the outstanding contract of the Company was NT$953,940 thousand against US$30,000 thousand and US$30,000 thousand against NT$869,400 thousand, respectively. Interest receipt and payment are based on stated interest rates. The maturity date of the contracts is September 2011 and August 2012, respectively.

For the years ended December 31, 2009, 2010 and 2011, the gain on valuation of financial assets held for trading was NT$934,938 thousand, NT$1,169,434 thousand and NT$1,118,488 thousand (US$36,950 thousand), respectively; the loss on valuation of financial liabilities held for trading was NT$645,774 thousand, NT$1,092,316 thousand and NT$250,435 thousand (US$8,273 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Quoted stocks (Note 11)	234,660	197,052	6,510
Private-placement shares	102,790	24,827	820
Open-end mutual funds	311,070	-	-
	648,520	221,879	7,330
Current portion	(338,094)	(48,794)	(1,612)
Noncurrent portion	310,426	173,085	5,718

For the years ended December 31, 2009, 2010 and 2011, the other-than-temporary loss on impairment of available-for-sale financial assets was nil, NT$2,680 thousand and NT$87,253 thousand (US$2,882 thousand), respectively.

7. BOND INVESTMENTS WITH NO ACTIVE MARKET - CURRENT AND NONCURRENT

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 debt host contract of the investment will mature in October 2012 and was reclassified from bond investments with no active market – noncurrent into bond investments with no active market - current. In 2011, the Company exercised the warrants to purchase 544,800 common shares in the amount of US$1,500 thousand and recorded as financial assets carried at cost - noncurrent (Note 11).

8. ACCOUNTS RECEIVABLE, NET

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Accounts receivable	33,686,006	30,727,988	1,015,130
Allowance for doubtful accounts	(134,002)	(128,869)	(4,257)
Allowance for sales returns and discounts	(170,087)	(123,331)	(4,074)
	33,381,917	30,475,788	1,006,799

The factored accounts receivable of the Company were as follows:

Counter-parties	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, 2010					
Citi bank	US$ 57,887	US$ 29,447	US$ 28,440	1.01	US$ 108,000
	NT$ 2,028,208	NT$ 1,621,146	NT$ 407,062	1.35	
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

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, 2010 and 2011, the Company has issued a promissory note of US$28,000 thousand and US$28,930 thousand, respectively, as collateral.

9. INVENTORIES

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Finished goods	2,530,432	3,616,381	119,471
Work in process	1,743,018	1,563,509	51,652
Raw materials	7,548,133	7,715,521	254,890
Supplies	509,789	515,069	17,016
Materials and supplies in transit	839,407	510,277	16,857
	13,170,779	13,920,757	459,886

The cost of inventories sold recognized as cost of revenues for the years ended December 31, 2009, 2010 and 2011 was NT$67,433,644 thousand, NT$146,829,805 thousand and NT$150,269,610 thousand (US$4,964,308 thousand), respectively, which included NT$191,904 thousand, NT$340,268 thousand and NT$433,418 thousand (US$14,318 thousand), respectively, due to write-downs of inventories.

10. INVENTORIES RELATED TO CONSTRUCTION BUSINESS

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Buildings and land held for sale	583,761	633,078	20,914
Construction in progress related to construction business	9,541,609	11,753,404	388,286
Land held for construction	-	1,616,743	53,411
Prepayment for land use rights	-	2,146,273	70,904
	10,125,370	16,149,498	533,515

A portion of buildings and land held for sale in Shanghai Zhangjiang was completed and sold in 2010 and 2011 and the construction profit of NT$1,037,318 thousand and the construction loss of NT$37,771 thousand (US$1,248 thousand) was recognized for the years ended December 31, 2010 and 2011, respectively. The remaining projects are expected to be completed before the end of 2013. Land held for construction was from the newly acquired subsidiary, Luchu, as stated in Note 2. The capitalized interest expense for the years ended December 31, 2009, 2010 and 2011 is presented in Note 13.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Unquoted common shares (Note 7)	299,817	384,193	12,692
Unquoted preferred shares	120,532	61,978	2,048
Limited partnership	423,391	447,112	14,771
	843,740	893,283	29,511

There was no quoted price from an active market for these investments and fair value was not readily available. In addition, the Company owns less than 20% of each of these investments and cannot exercise significant influence. Therefore, these investments are carried at cost.

Unquoted preferred shares of Sequans Communications S.A. ("Sequans") held by the Company were all converted into common shares and reclassified to available-for-sale financial assets – noncurrent (Note 6) since the common shares of Sequans are listed on the New York Stock Exchange from April 2011.

12. EQUITY METHOD INVESTMENTS

	December 31				
	2010		2011		
	NT$	% of Owner - ship	NT$	US$ (Note 2)	% of Owner - ship
Listed company					
Hung Ching Development & Construction Co. ("HCDC")	1,106,338	26.2	1,124,692	37,155	26.2
Unlisted companies					
Hung Ching Kwan Co.	332,224	27.3	329,817	10,896	27.3
StarChips Technology Inc. ("SCT")	61,824	33.3	47,856	1,581	33.3
	1,500,386		1,502,365	49,632	
Deferred gain on transfer of land	(300,149)		(300,149)	(9,916)	
Accumulated impairment - SCT	(41,739)		(47,856)	(1,581)	
	1,158,498		1,154,360	38,135	

Market values of the listed equity method investments as of December 31, 2010 and 2011 were NT$1,314,260 thousand and NT$775,517 thousand (US$25,620 thousand), respectively.

In March and April 2011, Shanghai DH, invested CNY64,500 thousand (US$10,236 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 (US$9,522 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			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
HCDC	47,135	57,640	131,546	4,346
USI	300,936	27,986	-	-
Others	(17,954)	(12,646)	(34,608)	(1,144)
	330,117	72,980	96,938	3,202

13. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Buildings and improvements	16,742,731	18,608,406	614,747
Machinery and equipment	101,247,714	114,013,568	3,766,553
Transportation equipment	159,513	197,510	6,525
Furniture and fixtures	3,946,121	3,888,329	128,455
Leased assets and leasehold improvements	341,161	415,259	13,719
	122,437,240	137,123,072	4,529,999

Information about capitalized interest expense was as follows:

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Total interest expense including capitalized interest	1,681,192	1,682,838	1,929,632	63,748
Less: Capitalized interest				
Included in inventories related to construction business	(111,855)	(196,669)	(130,283)	(4,304)
Included in property, plant and equipment	(61,314)	(100,158)	(133,024)	(4,395)
Interest expense	1,508,023	1,386,011	1,666,325	55,049
Capitalization rate				
Inventories related to construction business	4.78%-5.70%	4.78%-5.31%	4.78%-6.72%	
Property, plant and equipment	1.10%-4.80%	0.71%-3.65%	1.26%-4.68%	

For the years ended December 31, 2009, 2010 and 2011, the loss on impairment of property, plant and equipment was nil, NT$169,860 thousand and NT$234,301 thousand (US$7,740 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, 2010	9,419,005	1,385,144	101,716	484,544	783,839
Additions					
Purchase	-	231,813	-	-	-
From acquisition	1,142,250	587,341	820,707	-	1,068,238
Amortization	-	(33,715)	(198,667)	(141,818)	(302,851)
Reclassification	-	112,291	-	-	-
Translation adjustment	(153,232)	(108,967)	(1,847)	-	-
Balance at December 31, 2010	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

			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, 2011	343,840	71,817	23,849	11,322	51,180
Additions					
Purchase	-	37,735	254	-	294
From acquisition	1,967	-	-	-	-
Amortization	-	(1,462)	(8,110)	(4,685)	(10,272)
Impairment	(1,285)	-	-	-	-
Reclassification	(4,133)	(170)	14	-	-
Translation adjustment	2,343	5,086	106	-	11
Balance at December 31, 2011	342,732	113,006	16,113	6,637	41,213

The goodwill arising from acquisition in 2011 was related to the acquisition of PowerASE, Luchu and Shanghai DH. Up to date, the Company has not yet completed the purchase price allocation for the PowerASE Acquisition. The excess of the acquisition price over the carrying value of the acquired net assets, NT$3,823 thousand (US$126 thousand), has been temporarily classified as goodwill. The Company had completed the purchase price allocation of ASE Singapore II Pte. Ltd. and reclassified the purchase premium from goodwill to related assets.

The intangible assets arising from acquisition in 2010 were mainly related to the USI Acquisition. The acquired patent arising from the USI Acquisition represented the existing registered patent technologies in a current product offering. A portion of the purchase price was allocated to customer relationship and others as the Company can exploit revenue associated with the existing customer relationships and production projects. The valuation of acquired intangible assets was determined based on management’s estimates.

15. IDLE ASSETS

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Cost			
Land	232,681	232,681	7,687
Buildings and improvements	1,490,763	1,304,970	43,111
Machinery and equipment	551,294	399,849	13,209
Other	19,353	119,715	3,955
	2,294,091	2,057,215	67,962
Accumulated depreciation	(816,254)	(820,115)	(27,093)
Accumulated impairment	(228,790)	(123,046)	(4,065)
	1,249,047	1,114,054	36,804

Idle assets included USI's Nankuan plant and ASE Electronics' Flip-chip production line. The Company recognized an impairment loss of NT$11,117 thousand, NT$37,123 thousand and NT$81,486 thousand (US$2,692 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively.

16. SHORT-TERM BORROWINGS

Short-term borrowings represented revolving bank loans with annual interest rates of 0.72%-5.90% and 0.96%-7.32% as of December 31, 2010 and 2011, respectively.

17. ACCRUED EXPENSES

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Accrued salaries and bonus	2,515,826	3,288,844	108,650
Accrued employee bonus and compensation to directors and supervisors	2,248,099	1,719,333	56,800
Others	3,079,732	3,931,542	129,883
	7,843,657	8,939,719	295,333

18. BONDS PAYABLE

	December 31, 2011	
	NT$	US$ (Note 2)
Secured domestic bonds	8,000,000	264,288
Secured by banks, repayable at maturity in August 2016; interest paid annually with interest rate 1.45%		
Secured overseas bonds – secured by ASE Inc.		
CNY150,000 thousand, repayable at maturity in September 2014; interest paid semi-annually with annual interest rate 3.13%	720,730	23,810
CNY500,000 thousand, repayable at maturity in September 2016; interest paid semi-annually with annual interest rate 4.25%	2,402,435	79,367
	11,123,165	367,465
Unamortized issuance cost	(246,627)	(8,147)
	10,876,538	359,318

19. LONG-TERM BANK LOANS

Long-term bank loans consisted of the following:

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Loans for specified purposes	18,529,844	8,460,200	279,491
Working capital bank loans	36,919,357	33,636,543	1,111,217
Mortgage loans	-	643,106	21,246
	55,449,201	42,739,849	1,411,954
Current portion	(2,990,176)	(3,418,799)	(112,943)
	52,459,025	39,321,050	1,299,011
Unamortized arrangement fee	(95,307)	(54,636)	(1,805)
	52,363,718	39,266,414	1,297,206

a. Loans for specified purposes

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Syndicated bank loan (Led by Citi bank)			
Repayable through March 2013 in semi-annual installments, annual interest rate was 1.96% and 2.08% as of December 31, 2010 and 2011, respectively	12,687,500	7,612,500	251,487
US$200,000 thousand, repaid in May 2011, annual interest rate was 1.02%	5,828,000	-	-
Others, annual interest rate was 1.75% and 1.78%-2.15% as of December 31, 2010 and 2011, respectively	14,344	847,700	28,004
	18,529,844	8,460,200	279,491

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		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Syndicated bank loans - repayable through June 2015,annual interest rate was 0.95%-1.56% and 1.05%-1.54% as of December 31, 2010 and 2011, respectively			
ASE Inc.	16,539,800	14,466,000	477,899
ASESH AT	4,283,580	2,670,255	88,215
Others - repayable from January 2012 to November 2014, annual interest rate was 0.70%-4.40% and 0.95%-6.05% as of December 31, 2010 and 2011, respectively			
ASE Inc.	12,243,040	7,576,400	250,294
ASE Kun Shan	138,268	3,481,625	115,019
USI	1,384,375	2,729,036	90,156
ASESH AT	581,894	1,320,577	43,627
Others	1,748,400	1,392,650	46,007
	36,919,357	33,636,543	1,111,217

c. Mortgage loans

	December 31, 2011	
	NT$	US$ (Note 2)
Repayable from January 2012 to June 2018, annual interest rate was 1.36%-2.42%		
USI	583,106	19,264
Luchu	60,000	1,982
	643,106	21,246

Pursuant to the above loan agreements, the Company should maintain certain financial ratios. Such financial ratios are calculated based on annual audited consolidated financial statements or semi-annual reviewed consolidated financial statements. As of December 31, 2010 and 2011, the Company was in compliance with all of the loan covenants.

As of December 31, 2010 and 2011, loans of NT$14,331,571 thousand and NT$9,208,143 thousand (US$304,200 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, 2010 and 2011, respectively, and therefore such loans were not classified as current portion of long-term bank loans.

As of December 31, 2011, the future maturities of bonds payable and long-term bank loans were as follows:

	Amount	
	NT$	**US$ (Note 2)**
2012	12,626,942	417,143
2013	17,333,574	572,632
2014	11,136,073	367,892
2015	2,164,405	71,503
2016 and thereafter	10,602,020	350,249
	53,863,014	1,779,419

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

	December 31	
	2010	**2011**
New Taiwan dollars	NT$ 36,851,875	NT$ 21,360,808
U.S. dollars	US$ 638,206	US$ 706,162

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, USA, Malaysia, Singapore and Mexico also make contributions to local governments.

Under defined contribution plans, the Company recognized pension costs of NT$450,466 thousand, NT$649,616 thousand and NT$872,440 thousand (US$28,822 thousand) for the years ended December 31, 2009, 2010 and 2011, 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, 2010 and 2011, 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 reduces in projected benefit obligation and plan assets. In addition, ASE Korea 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$22,474 thousand, NT$44,844 thousand and NT$8,174 thousand (US$270 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively. Pension payments were NT$15,966 thousand, NT$2,666 thousand and NT$2,666 thousand (US$88 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively. As of December 31, 2010 and 2011, accrued pension costs were NT$203,791 thousand and NT$209,299 thousand (US$6,914 thousand), respectively.

Information about defined benefit pension plans is summarized as follows:

a. Pension costs for these entities consist of:

	Year Ended December 31			
	2009	**2010**	**2011**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Service cost	369,833	371,242	435,880	14,400
Interest	106,430	124,386	108,305	3,578
Projected return on plan assets	(35,621)	(29,836)	(32,397)	(1,070)
Amortization	61,487	52,828	82,713	2,732
Curtailment and settlement gain	(19,787)	-	(56,419)	(1,864)
	482,342	518,620	538,082	17,776

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

	December 31		
	2010	**2011**	
	NT$	**NT$**	**US$ (Note 2)**
Benefit obligation			
Vested benefit obligation	2,824,794	2,315,106	76,482
Non-vested benefit obligation	2,453,188	2,593,589	85,682
Accumulated benefit obligation	5,277,982	4,908,695	162,164
Additional benefit based on future salaries	1,598,372	1,479,244	48,868
Projected benefit obligation	6,876,354	6,387,939	211,032
Fair value of plan assets	(2,366,254)	(1,961,355)	(64,795)
Funded status	4,510,100	4,426,584	146,237
Unrecognized net transition obligation	(54,014)	(40,859)	(1,350)
Unrecognized prior service cost	(10,165)	(126,017)	(4,163)
Unrecognized net actuarial loss	(1,849,887)	(1,755,244)	(57,986)
Additional pension liability	458,072	511,274	16,890
Recorded under accrued expenses	(10,517)	(10,939)	(361)
Recorded under prepaid pension cost	3,059	90,743	2,998
Accrued pension cost	3,046,648	3,095,542	102,265
c. Vested benefit	2,915,762	2,396,409	79,168

d. Actuarial assumptions used:

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

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
e. Contributions to the funds	194,889	316,813	269,660	8,908
f. Payments from the funds	220,541	57,826	58,593	1,936

g. The Company expects to make contributions of NT$151,390 thousand (US$5,001 thousand) to its defined benefit pension plans in 2012.

h. Expected benefit payments:

	Amount	
Year of Payments	NT$	US$ (Note 2)
2012	247,664	8,182
2013	281,727	9,307
2014	288,237	9,522
2015	329,680	10,891
2016	343,190	11,338
2017 and thereafter	2,103,186	69,480

Plan assets and obligations reflected herein were measured as of December 31, 2010 and 2011.

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, 2009, 2010 and 2011, employees exercised options and paid NT$238,789 thousand (16,061 thousand shares), NT$499,404 thousand (28,563 thousand shares) and NT$589,326 thousand (30,083 thousand shares), of which NT$299,698 thousand (14,902 thousand shares) and NT$35,693 thousand (2,145 thousand shares) were recorded as "capital received in advance" as of December 31, 2010 and 2011, respectively.

In addition to the appropriation of retained earnings, the shareholders' meetings held in June 2010 resolved to distribute stock dividends out of capital surplus in the amount of NT$879,195 thousand (87,920 thousand shares). In January 2011, the Company made capital reductions of NT$370,000 thousand (37,000 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, each ADS representing five common shares. As of December 31, 2010 and 2011, 53,110 thousand and 89,126 thousand ADS were outstanding and represented approximately 265,552 thousand and 445,628 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. Under the revised ROC Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash if the Company doesn’t have a deficit.

Capital surplus from equity method investments 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 referred to in f. above include employees of subsidiary companies 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, 2010 and 2011, the bonus to employees of ASE Inc. was NT$1,523,133 thousand and NT$1,362,578 thousand (US$45,014 thousand), respectively, and the compensation to directors and supervisors of ASE Inc. was NT$304,627 thousand and NT$272,516 thousand (US$9,003 thousand), respectively. The 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 a deficit. Under the revised ROC Company Law issued on January 4, 2012, 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 2009 and 2010 resolved at the Company's annual shareholders' meetings in June 2010 and 2011, respectively and the appropriation of 2011 earnings proposed by the Company's directors and to be resolved by the Company's annual shareholders' meeting were as follow:

	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Legal reserve	674,455	1,833,750	1,372,596	45,345
Special reserve	-	1,272,417	-	-
Stock dividends - NT$0.84, NT$1.15 and NT$1.40 in 2009, 2010 and 2011, respectively	4,615,775	6,957,357	9,315,995	307,763
Cash dividends - NT$0.36, NT$0.65 and NT$0.65 in 2009, 2010 and 2011, respectively	1,978,190	3,932,419	4,325,284	142,890
	7,268,420	13,995,943	15,013,875	495,998

In addition to the 2009 and 2010 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 2011 earnings appropriation listed above, the directors also proposed to distribute the bonus to employees and compensation to directors and supervisors in cash. The information was as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Bonus to employees	607,009	1,523,133	1,235,336	40,811
Compensation to directors and supervisors	120,000	304,200	246,000	8,127

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, 2009 and 2010 were primarily due to changes in estimates. The differences were NT$1,402 thousand and NT$427 thousand and had been adjusted in earnings for the years ended December 31, 2010, and 2011, respectively.

Information about 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, 2010 and 2011 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, 2010	-	332,721	(307,223)	25,498	842
Recognized directly in shareholders' equity	(9,117)	124,744	(169,399)	(53,772)	(1,777)
Removed from shareholders' equity and recognized in earnings	(173)	-	274,750	274,577	9,071
Balance at December 31, 2010	(9,290)	457,465	(201,872)	246,303	8,136
Recognized directly in shareholders' equity	(77,901)	(174,005)	9,828	(242,078)	(7,997)
Removed from shareholders' equity and recognized in earnings	87,191	-	143,672	230,863	7,627
Balance at December 31, 2011	-	283,460	(48,372)	235,088	7,766

Treasury Stock (Shares in Thousands)

	Beginning Shares	Addition	Retirement/ Decrease	Ending Shares
Year ended December 31, 2010				
Parent company shares held by subsidiaries	322,532	10,427	218,167	114,792
Repurchase under share buyback plan	-	37,000	-	37,000
	322,532	47,427	218,167	151,792
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

As of December 31, 2010 and 2011, 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, 2010					
ASE Test	69,403	1,380,721		2,342,339	
J&R Holding	36,750	381,709		1,240,311	
ASE Test, Inc.	8,639	196,677		291,563	
	114,792	1,959,107		3,874,213	
December 31, 2011					
ASE Test	77,377	1,380,721	45,614	2,004,060	66,206
J&R Holding	40,972	381,709	12,610	1,061,186	35,057
ASE Test, Inc.	9,632	196,677	6,497	249,456	8,241
	127,981	1,959,107	64,721	3,314,702	109,504

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 2009, 2010 and 2011 by the subsidiaries from ASE Inc. were, nil, 10,427 thousand shares and 13,189 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, including the 2010 plan authorized to grant 200,000 thousand units. 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, 2009, 2010 and 2011 was as follows:

	Year Ended December 31					
	2009		2010		2011	
	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$)
Beginning outstanding balance	271,838	20.2	246,566	20.8	397,627	22.3
Options granted	-	-	187,720	23.3	12,280	25.8
Options forfeited	(9,211)	21.7	(8,096)	23.5	(8,790)	22.9
Options exercised	(16,061)	14.9	(28,563)	17.5	(30,083)	19.6
Ending outstanding balance	246,566	20.8	397,627	22.3	371,034	22.8
Ending exercisable balance	140,003	18.3	144,815	20.3	145,154	21.6
Grant date fair value of the options granted during the year (NT$)	-		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, 2009, 2010 and 2011 was NT$20.5, NT$27.2 and NT$29.8 (US$0.98), respectively.

Information regarding outstanding and exercisable stock options as of December 31, 2011 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)
7.0	4,894	7.0	1.0	4,854	7.0	1.0
10.3-15.4	30,173	14.9	2.6	30,146	14.9	2.6
23.3-25.8	335,967	23.7	7.4	110,154	24.1	6.0
	371,034	22.8		145,154	21.6	

As of December 31, 2011, the number of options that were expected to vest was 199,588 thousand units.

As of December 31, 2011, the aggregate intrinsic value of outstanding and exercisable stock options was NT$1,154,070 thousand (US$38,126 thousand) and NT$622,584 thousand (US$20,568 thousand), respectively.

Total intrinsic value of options exercised for the years ended December 31, 2009, 2010 and 2011 was NT$160,669 thousand, NT$300,776 thousand and NT$386,877 thousand (US$12,781 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, 2009, 2010 and 2011 was as follows:

	Year Ended December 31					
	2009		2010		2011	
	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	29,620	1.7	29,420	1.7	29,120	1.7
Options forfeited	(200)	1.7	(300)	1.7	(350)	1.7
Ending outstanding balance	29,420	1.7	29,120	1.7	28,770	1.7
Ending exercisable balance	11,236	1.7	17,672	1.7	23,156	1.7

As of December 31, 2011, the remaining contractual life is six years. As of December 31, 2011, the number of options that were expected to vest was 5,508 thousand units.

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 that of the USI option plans.

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

	Year Ended December 31			
	2010		2011	
	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
Options granted	8,800	2.4	8,800	2.9
Options forfeited	(653)	1.5	(207)	1.5
Ending outstanding balance	26,869	1.8	35,462	2.1

(Continued)

	Year Ended December 31			
	2010		2011	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)
Ending exercisable balance	10,900	1.5	14,299	1.5
Grant date fair value of the options granted during the year (US$)	0.88-1.06		0.83-0.95	

(Concluded)

Information regarding outstanding and exercisable stock options as of December 31, 2011 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	17,862	1.5	6.0	14,299	1.5	6.0
2.4-2.9	17,600	2.7	8.9	-	-	-
	35,462	2.1		14,299	1.5	

As of December 31, 2011, the number of options that were expected to vest was 19,848 thousand units.

As of December 31, 2011 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, 2009, 2010 and 2011.

In addition, options granted by ASE Inc. and USIE during the year 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 year ended December 31, 2010 and 2011, 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 and 4,933 thousand units, respectively. As of December 31, 2011, 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 nil, NT$319,147 thousand and NT$537,973 thousand (US$17,772 thousand) for the years ended December 31, 2009, 2010 and 2011, 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, 2009, 2010 and 2011 would have been as follows:

Assumptions:

	ASE Inc.	ASE Mauritius Inc.	USI	USIE
Expected dividend yield	3.00%	-	7.0%-11.5%	-
Expected volatility	46.0%-59.0%	47.21%	42.0%-44.0%	39.0%
Risk free interest rate	1.80%-2.51%	4.17%	2.49%-3.12%	4.28%
Expected life	5.0-6.5 years	6.5 years	6.525 years	6.525 years

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net income attributable to shareholders of the parent	6,127,405	17,804,442	13,177,782	435,341
Basic earnings per share	0.97	2.70	2.00	0.07

23. INCOME TAX

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

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Tax expense based on pre-tax income at statutory rates				
Domestic entities	1,799,140	2,037,332	2,557,117	84,477
Foreign entities	362,969	3,204,662	1,147,666	37,914
	2,162,109	5,241,994	3,704,783	122,391
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income	(654,839)	(979,020)	(656,601)	(21,691)
Others	271,352	118,588	152,366	5,034
Temporary differences				
Unrealized foreign exchange loss (gain)	(108,357)	(129,884)	153,649	5,076

(Continued)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Loss (gain) on valuation of financial instruments	(148,735)	60,270	(113,259)	(3,742)
Others	34,296	162,375	313,429	10,354
	1,555,826	4,474,323	3,554,367	117,422
Loss carryforwards	(13,357)	(61,984)	-	
Income tax on undistributed earnings	284,576	-	434,156	14,342
Credits for investments and research and development expenditures	(599,070)	(819,712)	(1,467,739)	(48,488)
Adjustment of prior year's income tax	27,203	(19,651)	37,025	1,223
Current income tax	1,255,178	3,572,976	2,557,809	84,499
Deferred income tax	229,744	55,764	460,403	15,210
Income tax expense	1,484,922	3,628,740	3,018,212	99,709

(Concluded)

In January 2009, the ROC Legislative Yuan passed the amendment of Article 39 of the ROC Income Tax Law, which extends the operating loss carryforwards period from five years to ten years. Additionally, in May 2010, the ROC Legislative Yuan passed the amendment of Article 5 of the ROC Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

Under Article 10 of the ROC Statute for Industrial Innovation passed by the ROC Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

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

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Deferred income tax assets - current			
Unused tax credits	796,142	827,306	27,331
Provision for inventory valuation and obsolescence	83,704	98,576	3,256
Unrealized foreign exchange loss (gain)	(46,100)	82,279	2,718
Others	374,634	181,007	5,980
	1,208,380	1,189,168	39,285
Valuation allowance	(289,119)	(53,643)	(1,772)
	919,261	1,135,525	37,513

(Continued)

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Deferred income tax assets - noncurrent			
Unused tax credits	1,824,803	729,476	24,099
Accrued pension cost	639,078	524,619	17,331
Loss carryforwards	548,125	391,568	12,936
Depreciation	(85,812)	120,696	3,987
Others	328,992	473,218	15,634
	3,255,186	2,239,577	73,987
Valuation allowance	(1,187,309)	(780,474)	(25,784)
	2,067,877	1,459,103	48,203
Deferred income tax liabilities - noncurrent			
Primarily from depreciation	(372,525)	(624,740)	(20,639)

(Concluded)

The decrease in the valuation allowance for 2011 was mainly due to the utilization of tax credits, which had previously been fully provided for, to offset income tax on undistributed earnings and the expiration of certain tax credits and loss carry forwards which had also been fully provided for. 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 ending December 2013. A portion of ASE Chung Li branch's income from manufacturing, processing and testing of semiconductors was exempt from income tax for five years ended December 2011.

2) A portion of ASE Test, Inc. and PowerASE's income is exempt from income tax for five years ended December 2015.

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 research and development tax credits and a reduced tax rate of 15%, or were eligible to deduct certain times of research and development expenses from their taxable income.

   Under new income tax laws, 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 is exempt from income tax ending August 2013.

The per share effect of these tax holidays was NT$0.10, NT$0.15 and NT$0.10 (US$0.003) per share for the years ended December 31, 2009, 2010 and 2011, respectively.

d. As of December 31, 2011, unused tax credits, which may be utilized to offset future income tax, were set forth below:

	Amount	
Year of Expiry	**NT$**	**US$ (Note 2)**
2012	232,561	7,683
2013	452,123	14,936
2014	587,670	19,414
2015	284,428	9,397
	1,556,782	51,430

e. Loss carryforwards as of December 31, 2011 comprised of:

	Amount	
Year of Expiry	**NT$**	**US$ (Note 2)**
2014	39,985	1,321
2015	76,420	2,525
2016	29,750	983
2017	148,573	4,908
2018 and thereafter	96,840	3,199
	391,568	12,936

f. Income tax returns of ASE Inc. have been examined by the ROC tax authorities through 2007. ASE Inc. disagreed with the result of an examination relating to its income tax returns from 2002 to 2007 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 2010.

g. Information regarding Imputation Tax System

As of December 31, 2010 and 2011, the balance of the Imputation Credit Account (“ICA”) amounted to NT$430,107 thousand and NT$502,789 thousand (US$16,610 thousand), respectively. The creditable ratio for the distribution of 2010 and 2011 earnings is 6.04% (actual) and 6.32% (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 2011 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, 2009			Year Ended December 31, 2010		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Personnel						
Salary	10,353,640	4,449,980	14,803,620	16,423,462	8,453,317	24,876,779
Pension cost	716,876	264,652	981,528	826,288	386,792	1,213,080
Labor and health insurance	786,049	304,170	1,090,219	1,139,682	461,092	1,600,774
Others	1,071,270	312,026	1,383,296	2,060,375	832,527	2,892,902
	12,927,835	5,330,828	18,258,663	20,449,807	10,133,728	30,583,535
Depreciation	15,800,086	975,843	16,775,929	17,303,405	1,169,928	18,473,333
Amortization	410,522	451,631	862,153	764,999	616,141	1,381,140

	Year Ended December 31, 2011			
	Cost of Revenues	Operating Expenses	Total	
	NT$	NT$	NT$	US$ (Note 2)
Personnel				
Salary	17,730,232	9,122,024	26,852,256	887,091
Pension cost	1,020,657	398,039	1,418,696	46,868
Labor and health insurance	1,390,850	631,386	2,022,236	66,807
Others	2,238,244	1,187,560	3,425,804	113,175
	22,379,983	11,339,009	33,718,992	1,113,941
Depreciation	19,940,273	1,379,165	21,319,438	704,309
Amortization	926,664	699,294	1,625,958	53,715

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, 2009					
Basic EPS					
Income attributable to shareholders of the parent	7,667,691	6,744,546	6,331,192	1.21	1.07
Effect of dilutive potential common stock					
Bonus to employees	-	-	32,353		
Employee stock options issued by ASE Inc.	-	-	22,451		
Bonus to employees and employee stock options issued by subsidiaries	(26,472)	(26,472)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	7,641,219	6,718,074	6,385,996	1.20	1.05
Year ended December 31, 2010					
Basic EPS					
Income attributable to shareholders of the parent	19,032,589	18,337,500	6,585,329	2.89	2.78
Effect of dilutive potential common stock					
Bonus to employees	-	-	40,793		
Employee stock options issued by ASE Inc.	-	-	42,945		
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	6,669,067	2.83	2.73
Year ended December 31, 2011					
Basic EPS					
Income attributable to shareholders of the parent	15,052,588	13,725,958	6,592,541	2.28	2.08
Effect of dilutive potential common stock					
Bonus to employees	-	-	55,841		
Employee stock options issued by ASE Inc.	-	-	106,735		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	15,052,588	13,725,958	6,755,117	2.23	2.03

(Continued)

	Amounts (Numerator)		Number of	EPS	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
	US$ (Note 2)	US$ (Note 2)		US$ (Note 2)	US$ (Note 2)
Year ended December 31, 2011					
Basic EPS					
Income attributable to shareholders of the parent	497,277	453,451	6,592,541	0.08	0.07
Effect of dilutive potential common stock					
Bonus to employees	-	-	55,841		
Employee stock options issued by ASE Inc.	-	-	106,735		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	497,277	453,451	6,755,117	0.07	0.07

(Concluded)

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 and common stock issued from capital surplus. This adjustment caused the basic EPS after income tax for the years ended December 31, 2009 and 2010 to decrease from NT$1.19 to NT$1.07 and from NT$3.10 to NT$2.78, respectively. This adjustment caused the diluted EPS after income tax for the year ended December 31, 2009 and 2010 to decrease from NT$1.17 to NT$1.05 and from NT$3.04 to NT$2.73, respectively.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2010		2011			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Non-derivative financial instrument						
Assets						
Financial assets at fair value through profit or loss - current	973,315	973,315	217,439	7,183	217,439	7,183

(Continued)

	December 31					
	2010		2011			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Available-for-sale financial assets - current and noncurrent	648,520	648,520	221,879	7,330	221,879	7,330
Bond investments with no active market - current and noncurrent	87,420	87,420	90,825	3,001	90,825	3,001
Financial assets carried at cost - noncurrent	843,740		893,283	29,511		
Guarantee deposits (including current portion)	93,367	93,367	133,775	4,419	133,775	4,419
Restricted assets (including current portion)	286,307	286,307	230,801	7,625	230,801	7,625
Liabilities						
Long-term bank loans (including current portion)	55,353,894	55,353,894	42,685,213	1,410,149	42,685,213	1,410,149
Capital lease obligations (including current portion)	39,620	39,620	66,086	2,183	66,086	2,183
Bonds payable	-	-	10,876,538	359,318	10,901,737	360,150
Derivative financial instruments						
Assets						
Swap contracts	173,389	173,389	478,504	15,808	478,504	15,808
Forward exchange contracts	48,569	48,569	10,812	357	10,812	357
Cross currency swap contracts	163,670	163,670	-	-	-	-
Liabilities						
Swap contracts	394,747	394,747	81,450	2,691	81,450	2,691
Interest rate swap contract	189,541	189,541	58,279	1,925	58,279	1,925
Cross currency swap contracts	507,546	507,546	38,880	1,284	38,880	1,284
Forward exchange contracts	13,757	13,757	13,944	461	13,944	461

(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 financial assets at FVTPL and available-for-sale financial assets, except private-placement shares, were determined using their quoted market prices in an active market. Fair values of financial notes, 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) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

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 fair values approximate carrying amounts. 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.

c. Valuation gains from changes in fair value of financial instruments determined using valuation techniques were NT$361,085 thousand, NT$66,384 thousand and NT$869,899 thousand (US$28,738 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively.

d. As of December 31, 2010 and 2011, financial assets exposed to fair value interest rate risk amounted to NT$110,585 thousand and NT$47,963 thousand (US$1,585 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT$10,781 thousand and NT$10,900,463 thousand (US$360,108 thousand), respectively, financial assets exposed to cash flow interest rate risk amounted to NT$16,144,099 thousand and NT$18,894,790 thousand (US$624,208 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT$69,508,413 thousand and NT$65,650,346 thousand (US$2,168,825 thousand), respectively.

e. For the years ended December 31, 2009, 2010 and 2011, interest income of NT$173,870 thousand, NT$215,228 thousand and NT$330,674 thousand (US$10,924 thousand), and interest expense (including capitalized interest) of NT$1,680,978 thousand, NT$1,682,838 thousand and NT$1,929,632 thousand (US$63,748 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.

The Company holds quoted stocks, open-end mutual funds and financial notes which are subject to market risk. The fair value of these investments will decrease by NT$4,000 thousand (US$132 thousand) if their market price decreases 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 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 open-end mutual funds, financial notes and quoted stocks 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. When the market interest rate increases by 1%, the Company's annual cash outflows will increase by NT$657,000 thousand (US$21,705 thousand).

h. Fair value hedge and cash flow hedge

The Company entered into interest rate swap contracts and cross currency swap contracts to hedge exposures from fluctuations in both foreign exchange and interest rates arising from its long-term loans and its receivables from affiliates.

1) The fair value of the above interest rate swap contracts which qualified for hedge accounting as of December 31, 2010 and 2011 were losses of NT$189,541 thousand and NT$58,279 thousand (US$1,925 thousand), respectively. The outstanding interest rate swap contracts of the Company as of December 31, 2010 and 2011 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, 2010					
2013.03	NT$ 8,700,000	2.45-2.48	0.625	2011-2013	2011-2013
2013.03	NT$ 3,987,500	0.96-0.99	0.625	2011-2013	2011-2013
2011.05	US$ 200,000	1.48-1.55	0.261	2011	2011
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

2) The fair value of the above cross currency swap contracts which qualified for hedge accounting as of December 31, 2010 was a loss of NT$263,562 thousand. The outstanding cross currency swap contracts of the Company as of December 31, 2010 were as follows:

Maturity Period	Notional Amount (In Thousands)	NT$ Interest Rate Paid (Received) (%)	US$ Interest Rate Received (%)	Expected Period for Further Cash Demand	Expected Period for the Recognition of Gains or Losses from Hedge
2011.03-2011.09	NT$4,338,920/ US$136,000	(0.55)-(0.22)	0.262-0.265	2011	2011
2011.04-2011.05	US$65,000/ NT$2,054,330	-	0.35-0.83	2011	2011

The changes in unrealized gain (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 Hung Ching Shin Investment Co., a subsidiary of one of ASE Inc.'s equity method investments, and Kunshan Ding Yao Real Estate Development Co., Ltd. ("Kunshan Ding Yao"), of which the chairman of the board of directors is also the Company's general manager. Additionally, PSC, before November 22, 2011, and NXP B.V. continue to exercise significant influence over PowerASE and ASEN, respectively, and therefore are related parties of PowerASE and ASEN, respectively.

For the years ended December 31, 2009, 2010 and 2011, the Company had no significant transactions with related parties except the Company, through ASEAT SH, acquired 10% shareholdings of Shanghai DH from Kunshan Ding Yao in November 2011 as stated in Note 2.

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

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Salary, incentives and other compensations	402,520	724,752	905,423	29,911
Bonus	81,806	139,910	118,130	3,903
	484,326	864,662	1,023,553	33,814

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, etc.:

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Inventory - land held for construction	-	1,616,743	53,411
Property, plant and equipment			
Land	452,558	777,858	25,697
Buildings and improvements	1,770,197	3,111,856	102,803
Restricted assets (including current portion)	286,307	230,801	7,625
	2,509,062	5,737,258	189,536

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 August 2020. 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 non-cancelable operating leases.

Future minimum lease payments under the above-mentioned operating leases as of December 31, 2011 were as follows:

	Amount	
	NT$	US$ (Note 2)
2012	270,566	8,938
2013	82,179	2,715
2014	57,038	1,884
2015	42,624	1,408
2016 and thereafter	290,075	9,583
Total minimum lease payments	742,482	24,528

b. As of December 31, 2011, unused letters of credit of the Company were approximately NT$331,000 thousand (US$10,935 thousand).

c. As of December 31, 2011, outstanding commitments to purchase machinery and equipment of the Company were approximately NT$5,073,000 thousand (US$167,592 thousand), of which NT$251,899 thousand (US$8,322 thousand) had been prepaid.

d. As of December 31, 2011, outstanding commitments related to construction of facilities of the Company were approximately NT$2,783,000 thousand (US$91,939 thousand), of which NT$1,263,117 thousand (US$41,728 thousand) had been prepaid.

e. The Company entered into technology license agreements with foreign companies which will expire on various dates through 2013. Pursuant to the agreements, the Company shall pay royalties based on specified percentages of sales volume and licensing fees to the counter parties. Royalties and licensing fees paid for the years ended December 31, 2009, 2010 and 2011 were NT$200,590 thousand, NT$335,756 thousand and NT$85,452 thousand (US$2,823 thousand), respectively.

f. 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 ITC Investigation.

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

30. INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The information for significant foreign assets and liabilities of the Company were summarized as follows (in thousands of foreign currency):

	December 31	
	2010	2011
Financial assets		
Monetary items		
US$	$ 1,840,267	$ 1,889,719

(Continued)

	December 31	
	2010	2011
CNY	$ 1,209,135	$ 2,484,573
JPY	10,739,943	11,286,401
Financial liabilities		
Monetary items		
US$	2,026,001	2,281,512
CNY	1,278,379	2,763,228
JPY	4,703,435	5,089,272
Exchange rate		
US$	US$1=NT$29.14	US$1=NT$30.275
CNY	CNY1=NT$4.40	CNY1=NT$4.80
JPY	JPY1=NT$0.3584	JPY1=NT$0.3906

(Concluded)

31. OPERATING SEGMENT INFORMATION

a. Segment revenues and results

The Company had three reportable segments prior to 2010: packaging, testing, and others. Upon the acquisition of USI in February 2010, the Company has four reportable segments: packaging, testing, EMS and others. The restatement of the 2009 segment information is not applicable as USI and its subsidiaries have only been included in the consolidated financial statements since February 2010, the date of acquisition. 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 measure 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 for the year ended December 31, 2011. For the comparative purpose, the segment information for the years ended December 31, 2009 and 2010 was revised in conformity with the presentation for the year ended December 31, 2011.

Segment information for the years ended December 31, 2009, 2010 and 2011 was as follows:

	Packaging	Testing	Others	Total
	NT$	NT$	NT$	NT$
2009				
Revenue from external customers	67,935,456	15,795,108	2,044,750	85,775,314
Inter-segment revenues	3,309,104	85,605	11,445,929	14,840,638
Interest income	96,409	58,309	19,152	173,870
Interest expense	(1,258,295)	(23,156)	(226,572)	(1,508,023)
Depreciation and amortization	(10,093,653)	(5,775,612)	(1,768,817)	(17,638,082)
Impairment loss	-	-	(11,117)	(11,117)
Segment income before income tax	5,598,301	2,757,516	32,573	8,388,390
Segment assets	91,684,623	43,106,391	27,183,781	161,974,795
Expenditures for segment assets	9,427,126	3,013,536	191,270	12,631,932

	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)
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

	Packaging	Testing	EMS	Others	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
2011					
Revenue from external customers	3,392,048	724,553	1,911,147	95,384	6,123,132
Inter-segment revenues	63,552	2,974	1,422,213	255,065	1,743,804
Interest income	4,966	689	4,475	794	10,924
Interest expense	(43,120)	(634)	(7,338)	(3,957)	(55,049)
Depreciation and amortization	(442,165)	(212,161)	(55,745)	(47,953)	(758,024)
Impairment loss	(11,995)	(1,233)	-	(1,574)	(14,802)
Segment income before income tax	333,007	157,520	64,389	6,602	561,518
Segment assets	3,759,246	1,274,607	1,305,667	1,056,519	7,396,039
Expenditures for segment assets	733,197	226,287	23,422	42,267	1,025,173

b. Revenue from major products and services

	Years Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Leadframe-based and substrate-based packaging service	63,959,178	92,375,710	93,065,326	3,074,507
Wafer probing and final testing service	15,333,685	21,473,806	21,469,472	709,266
Electronic and car components manufacturing service	-	56,777,818	57,233,787	1,890,776
Others	6,482,451	18,115,463	13,578,621	448,583
	85,775,314	188,742,797	185,347,206	6,123,132

c. Geographical information

1) Net revenues

	Year Ended December 31						
	2009		2010		2011		
	NT$	% of Total Revenues	NT$	% of Total Revenues	NT$	US$ (Note 2)	% of Total Revenues
America	45,109,107	52	105,507,488	56	107,597,312	3,554,586	58
Taiwan	17,815,026	21	37,214,850	20	37,150,070	1,227,290	20
Asia	12,050,672	14	25,578,735	13	21,019,332	694,395	11
Europe	10,800,509	13	20,441,724	11	19,580,492	646,861	11
	85,775,314	100	188,742,797	100	185,347,206	6,123,132	100

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

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Taiwan	61,279,745	64,374,970	2,126,692
China	32,842,659	41,142,070	1,359,170
Others	23,583,177	24,190,543	799,158
	117,705,581	129,707,583	4,285,020

d. Major customers

For the years ended December 31, 2009, 2010 and 2011, the Company did not have a single customer to which the net revenues exceeded 10% of total net revenues.

32. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the ROC Financial Supervisory Commission ("FSC") on February 2, 2010, the Company pre-discloses the following information on the adoption of International Financial Reporting Standards ("IFRSs") as follows:

a. On May 14, 2009, the ROC FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan Gre Tai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the ROC FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Joseph Tung, Chief Financial Officer. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

Contents of Plan	Responsible Department	Plan Progress
1) Establish the IFRSs taskforce	Accounting Department	Completed
2) Set up the work plan for IFRSs adoption	Accounting Department	Completed
3) Complete the identification of GAAP differences and impact	Accounting Department	Completed
4) Complete the identification of consolidated entities under IFRSs	Accounting Department	Completed
5) Complete the impact evaluation of optional exemptions in IFRS 1 “First-time Adoption of International Financial Reporting Standard”	Accounting Department	Completed
6) Complete the impact evaluation of the IT systems	Accounting and IT Department	The impact evaluation of the IT system was completed. And the system enhancement and testing are in process
7) Complete the impact evaluation of the modification to the relevant internal controls	Accounting and Internal Audit Department	The impact valuation was completed. And the consequent modification is in process
8) Determine IFRSs accounting policies	Accounting Department	The preliminary selection was completed. The consequent analysis and confirmation is in process
9) Determine the selection of optional exemptions in IFRS 1 “First-time Adoption of International Financial Reporting Standard”	Accounting Department	The preliminary selection was completed. The consequent analysis is in process
10) Complete the preparation of the opening date balance sheet under IFRSs	Accounting Department	In progress according to the plan
11) Prepare comparative financial information under IFRSs for 2012	Accounting Department	In progress according to the plan
12) Complete the modification of the relevant internal controls (including financial reporting process and related IT systems)	Accounting, IT and Internal Audit Department	The preliminary selection was completed. The consequent revision and confirmation is in process

b. As of December 31, 2011, the Company had assessed the material differences, shown below, between the existing accounting policies under ROC GAAP and the accounting policies to be adopted under IFRSs:

1) Business combination

Under ROC GAAP, the cost of the acquisition includes any costs directly attributable to the business combination. After adopting IFRSs, the direct acquisition cost should be expensed in current earnings.

In addition, under ROC GAAP, the interest of minority shareholders in the acquiree is measured at historical cost. After adopting IFRSs, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Under ROC GAAP, the business combinations achieved in stages are accounted for using the purchase method of accounting under ROC SFAS No. 25 and the acquirer shall not remeasure its previously held equity interest in the acquiree at the acquisition-date. Furthermore, changes in the Company's ownership interest while retaining controlling interest in its subsidiary are also accounted for using the purchase method of accounting under ROC SFAS No. 25. After adopting IFRSs, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize related gains or losses. Furthermore, the changes in the Company's ownership interest while retaining controlling interest in its subsidiary shall be accounted for as equity transactions.

2) Employee benefit

The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with ROC GAAP. Under IFRSs, the Company should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, "Employee Benefits."

Under ROC GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Company will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

Under ROC GAAP, if the accrued pension cost is below than the minimum pension liability, the Company should recognize the additional pension liability. Under IFRSs, there is no requirement for the minimum pension liability.

3) Classifications of deferred income tax asset/liability and valuation allowance

Under ROC GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under ROC GAAP, deferred tax assets are recognized in full and then reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

4) Share-based payment

Employee stock options granted on or before December 31, 2007 were accounted for the intrinsic value method under ROC GAAP. After adopting IFRSs, for those share options that were granted and had not yet vested at January 1, 2012 (the date of transition to IFRSs), the Company should apply IFRS 2 "Share-based Payment" and recognize stock-based compensation expense.

5) Idle assets

Under ROC GAAP, idle assets are classified under other assets. Under IFRSs, idle assets are classified as property, plant and equipment according to their nature.

6) Land use rights

Under ROC GAAP, the land use rights are recorded as intangible assets while after adopting IFRSs, the land use rights will be reclassified as long-term prepayment for lease.

The material differences between ROC GAAP and IFRSs mentioned above may not have material impact at the date of transition to IFRSs since the Company may choose the optional exemptions in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

c. The Company has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ROC ARDF and issued by the ROC FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the ROC FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

33. 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.

The U.S. GAAP reconciling adjustment for the year ending December 31, 2009 was the estimate difference for 2008. 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, 2009, 2010 and 2011, 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 historical cost. 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 value 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 differs 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 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 equipment, associated depreciation expense, gain or loss on disposal and gain on recoveries related to restoration of such impaired machinery and equipment 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 and 2011 was treated as an additional reduction to retained earnings and an increase to capital surplus of NT$7,201 million and NT$11,132 million (US$368 million), respectively. However, no stock dividends were paid in 2009.

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 34d 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 and NT$537,973 thousand (US$17,772 thousand) using the graded vesting method over the requisite service period for each separately vesting portion for the year ended December 31, 2010 and 2011, respectively. No stock-based compensation expense was recognized for the years ended December 31, 2009, 2010 and 2011 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 for the years ended December 31, 2009 and 2010 and NT$6,934 thousand (US$229 thousand) for the year ended December 31, 2011.

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 nil, NT$41,739 thousand and NT$6,117 thousand (US$203 thousand) under U.S. GAAP for the years ended December 31, 2009, 2010 and 2011, respectively. The accumulated GAAP difference was decreased by NT$1,195,000 thousand as a result of the USI Acquisition in 2010. As of December 31, 2011, the accumulated GAAP difference was NT$883,620 thousand (US$29,191 thousand) which was caused by the impairment charges recorded in 2002.

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. Prior to January 1, 2006, the Company used the intrinsic value method to account for its stock-based compensation under the U.S. guidance, and had no unrecognized compensation cost to be included in the assumed proceeds. However, upon adoption of the U.S. guidance relating to share-based payment, 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 new 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 34k.

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 (US$10,035 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 year ended December 31, 2010 and 2011, respectively.

Besides, 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.

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			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net income				
Net income based on ROC GAAP	6,903,468	19,194,889	13,978,949	461,809
Adjustments:				
a. Pension benefits	(10,692)	17,632	66,042	2,182
b. Bonuses to employees, directors and supervisors	(3,394)	-	-	-
c. Depreciation of buildings	(115,766)	(105,239)	(85,912)	(2,838)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	432	432	432	14
f. Effect of U.S. GAAP adjustments on equity method investments	(59,876)	57,954	(5,138)	(170)
g. Impairment of long-lived assets				
Depreciation and gain on recoveries related to restoration of impaired machinery and equipment	97,598	73,368	150,935	4,986
i. Stock-based compensation	(983,309)	(580,237)	(264,537)	(8,739)
k. Undistributed earnings tax	(213,418)	(916,335)	160,766	5,311
o. Business combination and noncontrolling interest	-	1,192,100	(106,075)	(3,504)
Income tax effect of U.S. GAAP adjustments	(94,666)	(33,620)	(115,076)	(3,802)
Net decrease in net income	(1,383,091)	(293,945)	(198,563)	(6,560)
Net income based on U.S. GAAP	5,520,377	18,900,944	13,780,386	455,249
Attributable to				
Shareholders of the parent	5,317,509	18,158,180	13,532,514	447,060
Noncontrolling interest	202,868	742,764	247,872	8,189
	5,520,377	18,900,944	13,780,386	455,249
Earnings per share (Note 34h)				
Basic	0.84	2.76	2.05	0.07
Diluted	0.83	2.73	2.04	0.07
Earnings per ADS (Note 34h)				
Basic	4.20	13.79	10.26	0.34
Diluted	4.16	13.64	10.18	0.34
Number of weighted average outstanding shares (in thousand shares) (Note 34h)				
Basic	6,331,192	6,585,329	6,592,541	
Diluted	6,352,994	6,617,188	6,646,040	
Number of ADS (in thousand shares) (Note 34h)				
Basic	1,266,238	1,317,066	1,318,508	
Diluted	1,270,599	1,323,438	1,329,208	

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Shareholders' equity				
Shareholders' equity based on ROC GAAP	74,713,694	91,839,325	102,282,494	3,379,006
Adjustments:				
a. Pension benefits and additional liability				
Pension benefits	53,828	71,460	137,502	4,543
Unrecognized pension cost on adoption of the amended U.S. guidance relating to pension	(613,362)	(613,362)	(613,362)	(20,263)
Defined benefit pension plan adjustment	(596,400)	(808,762)	(818,361)	(27,035)
c. Depreciation of buildings	(932,021)	(1,037,260)	(1,123,172)	(37,105)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	(12,303)	(11,871)	(11,439)	(378)
e. Gain on sale of subsidiary's stock	(8,619)	(8,619)	(8,619)	(285)

(Continued)

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
f. Effects of U.S. GAAP adjustments on equity method investments	259,879	(158,977)	(164,115)	(5,422)
g. Impairment loss reversal, net	(1,498,287)	(1,424,919)	(1,273,984)	(42,088)
i. Stock-based compensation	(908,661)	(908,661)	(908,661)	(30,019)
j. Goodwill	1,265,869	1,265,869	1,265,869	41,819
k. Undistributed earnings tax	(607,009)	(1,523,344)	(1,362,578)	(45,014)
l. Impairment loss on equity method investments	(2,078,620)	(883,620)	(883,620)	(29,191)
o. Business combination and noncontrolling interest	-	210,769	(229,139)	(7,570)
Income tax effect of U.S. GAAP adjustments	477,757	444,137	329,061	10,871
Net decrease in shareholders' equity	(5,197,949)	(5,387,160)	(5,664,618)	(187,137)
Shareholders' equity based on U.S. GAAP	69,515,745	86,452,165	96,617,876	3,191,869

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Changes in shareholders' equity based on U.S. GAAP				
Balance, beginning of year	67,405,720	69,515,745	86,452,165	2,856,034
Net income for the year	5,520,377	18,900,944	13,780,386	455,249
Adjustment for stock option compensation	983,309	899,384	802,510	26,512
Translation adjustment	(1,164,331)	(4,479,649)	4,568,156	150,914
Adjustment from changes in ownership percentages of subsidiaries	1,396	(9,510)	(4,960)	(164)
Unrealized gain on available-for-sale financial assets	380,464	115,454	(158,162)	(5,225)
Unrealized gain on cash flow hedging financial instruments	84,472	105,351	153,500	5,071
Stock options exercised by employees	238,789	499,404	589,326	19,469
Cash dividends	(2,736,568)	(1,978,190)	(3,932,419)	(129,911)
Cash dividends received by subsidiaries from parent company	160,895	37,536	74,160	2,450
Effects of U.S. GAAP adjustments on equity method investments	(274,528)	(48,372)	-	-
Change in noncontrolling interest	213,335	(459,161)	(42,685)	(1,410)
Change in noncontrolling interest from acquisition of subsidiaries	-	(345,186)	(2,814,290)	(92,973)
Defined benefit pension plan adjustment	16,688	(361,824)	(77,177)	(2,550)
Acquisition of treasury stock	(1,314,273)	(1,185,205)	(2,772,634)	(91,597)
Disposal of subsidiaries	-	(1,472)	-	-
Disposal of treasury stock held by subsidiaries	-	5,246,916	-	-
Balance, end of year	69,515,745	86,452,165	96,617,876	3,191,869
Attributable to				
Shareholders of the parent	66,555,528	82,959,008	95,334,374	3,149,467
Noncontrolling interest	2,960,217	3,493,157	1,283,502	42,402
	69,515,745	86,452,165	96,617,876	3,191,869

(Concluded)

The following U.S. GAAP condensed consolidated balance sheets as of December 31, 2010 and 2011, and consolidated statements of income for the years ended December 31, 2009, 2010 and 2011 have been derived from the audited consolidated financial statements and reflect the adjustments presented above.

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Current assets	85,598,925	89,609,964	2,960,356
Long-term investments	1,343,370	1,185,581	39,167
Property, plant and equipment, net	99,216,883	110,927,450	3,664,600
Intangible assets	15,360,872	15,896,234	525,148
Other assets	3,453,143	2,472,118	81,669
Total assets	204,973,193	220,091,347	7,270,940
Current liabilities	60,496,158	67,443,174	2,228,053
Long-term liabilities	58,024,870	56,030,297	1,851,018
Total liabilities	118,521,028	123,473,471	4,079,071
Equity attributable to shareholders of the parent	82,959,008	95,334,374	3,149,467
Noncontrolling interest in consolidated subsidiaries	3,493,157	1,283,502	42,402
Total liabilities and shareholders' equity	204,973,193	220,091,347	7,270,940

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net revenues	85,775,314	188,742,797	185,347,206	6,123,132
Cost of revenues	68,350,929	148,887,478	150,793,721	4,981,623
Gross profit	17,424,385	39,855,319	34,553,485	1,141,509
Operating expenses	9,431,512	16,877,296	18,450,852	609,542
Income from operations	7,992,873	22,978,023	16,102,633	531,967
Net non-operating income (expenses)	(679,490)	504,526	647,365	21,386
Income before income tax	7,313,383	23,482,549	16,749,998	553,353
Income tax expense	1,793,006	4,581,605	2,969,612	98,104
Net income	5,520,377	18,900,944	13,780,386	455,249
Attributable to				
Shareholders of the parent	5,317,509	18,158,180	13,532,514	447,060
Noncontrolling interest	202,868	742,764	247,872	8,189
	5,520,377	18,900,944	13,780,386	455,249

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			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net cash inflow (outflow) from:				
Operating activities	15,517,228	36,964,711	31,936,706	1,055,061
Investing activities	(15,980,715)	(31,418,338)	(30,077,023)	(993,625)
Financing activities	(2,778,549)	(2,965,662)	(2,296,308)	(75,861)

(Continued)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net increase (decrease) in cash	(3,242,036)	2,580,711	(436,625)	(14,425)
Cash, beginning of year	26,138,930	22,557,494	23,397,557	772,962
Effect of exchange rate changes	(339,400)	(1,740,648)	1,460,857	48,261
Cash, end of year	22,557,494	23,397,557	24,421,789	806,798

(Concluded)

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.

34. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

a. Recently issued accounting standards

In September 2009, the FASB issued an accounting standard update which provides guidance on how to separate consideration in multiple-deliverable arrangements and significantly expands disclosure requirements. The standard establishes a hierarchy for determining the selling price of a deliverable, eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The update is effective for annual reporting periods beginning on or after June 15, 2010. This guidance is effective for the Company for the year ending December 31, 2011. The adoption of the guidance did not have a material effect on the Company's results of operations, financial position and cash flows.

In January 2010, the FASB issued an accounting update that amended guidance and clarified the disclosure requirements about fair market value measurement. These amended standards require new disclosures for significant transfers of assets or liabilities between Level 1 and Level 2 in the fair value hierarchy; separate disclosures for purchases, sales, issuance and settlements of Level 3 fair value items on a gross, rather than net basis; and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and Level 3 assets and liabilities. Except for the detailed disclosures of changes in Level 3 items, which are effective for the Company as of January 1, 2011, the remaining new disclosure requirements were effective for the Company as of January 1, 2010. The Company has included these new disclosures, as applicable, in Note 34j.

In April 2010, the FASB issued an accounting update that provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for certain research and development transactions. Under this new standard, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, only if the milestone meets all criteria to be considered substantive. This standard is effective for the Company on a prospective basis as of January 1, 2011. The adoption of the guidance did not have a material effect on the Company's results of operations, financial position and cash flows.

In April 2010, the FASB issued an accounting update to clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades must not be considered to contain a market, performance, or service condition. Therefore, an entity should not classify such an award as a liability if it otherwise qualifies for classification in equity. This guidance is effective for annual periods beginning on or after December 15, 2010, and will be applied prospectively. Affected entities will be required to record a cumulative catch-up adjustment to the opening balance of retained earnings for all awards outstanding as of the beginning of the annual period in which the guidance is adopted. Earlier application is permitted. This guidance is effective for the Company for the year ending December 31, 2011. The adoption of the guidance did not have a material effect on the Company's results of operations, financial position and cash flows.

In December 2010, the FASB issued an accounting update to require that supplemental pro forma information disclosures pertaining to acquisitions should be presented as if the business combination(s) occurred as of the beginning of the prior annual period when comparative financial statements are presented. This guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This guidance is effective for business combinations consummated in periods beginning after December 15, 2010. Early adoption is permitted. This guidance is effective for the Company for the year ending December 31, 2011. The Company has included these new disclosures in Note 34k.

In December 2010, the FASB issued an accounting update to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. For public entities, this guidance is effective for impairment tests performed during entities' fiscal years that begin after December 15, 2010. Early application will not be permitted. This guidance is effective for the Company for the year ending December 31, 2011. The adoption of the guidance did not have a material effect on the Company's results of operations, financial position and cash flows.

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 fiscal years beginning after December 15, 2011. Early adoption is not permitted. The Company does not expect the adoption will have a material impact on the Company's results of operations, financial position or cash flows.

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. This guidance must be applied retroactively and is effective for fiscal years beginning after December 15, 2011. Earlier application is permitted. The Company is currently evaluating which presentation option it will elect, but the adoption of these provisions will have no effect 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 annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Earlier adoption is permitted. The adoption of this guidance is not expected to 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. Since this standard impacts disclosure requirements only, its adoption is not expected to have a material impact on the Company's results of operations, financial condition or cash flows.

b. 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 included in the new guidance.

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			
	2009	**2010**	**2011**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Components of net periodic benefit cost				
Service cost	369,833	371,242	435,880	14,400
Interest cost	106,430	124,386	108,305	3,578
Expected return on plan assets	(35,621)	(29,836)	(32,397)	(1,070)
Amortization	55,718	47,555	70,641	2,334
Curtailment and settlement gain	-	(12,359)	(110,389)	(3,647)
Net periodic benefit cost	496,360	500,988	472,040	15,595
Changes in benefit obligation				
Benefit obligation at beginning of year	5,773,799	5,770,146	6,876,354	227,167
Addition from USI Acquisition	-	491,273	-	-
Service cost	369,833	371,242	435,880	14,400
Interest cost	106,430	124,386	108,305	3,578
Curtailment effect	(57,266)	(6,907)	(232,080)	(7,667)
Settlement effect	-	-	(553,207)	(18,276)
Actuarial gain	13,295	382,837	41,627	1,375
Benefits paid	(403,267)	(248,814)	(379,680)	(12,543)
Translation adjustment	(32,678)	(7,809)	90,740	2,998
Benefit obligation at end of year	5,770,146	6,876,354	6,387,939	211,032

(Continued)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Change in plan assets				
Fair value of plan assets at beginning of year	2,055,781	2,097,594	2,366,254	78,172
Addition from USI Acquisition	-	7,529	-	-
Actual return on plan assets	70,896	33,704	44,916	1,484
Employer contribution	194,889	316,813	269,660	8,908
Benefits paid	(220,541)	(57,826)	(58,593)	(1,936)
Settlement effect	-	-	(686,530)	(22,680)
Translation adjustment	(3,431)	(31,560)	25,648	847
Fair value of plan assets at end of year	2,097,594	2,366,254	1,961,355	64,795
Unfunded status	3,672,552	4,510,100	4,426,584	146,237

(Concluded)

Actuarial assumptions:

	December 31		
	2009	2010	2011
Discount rate	2.25% - 4.92%	1.75% - 5.00%	1.50% - 5.38%
Increase in future salary level	2.50% - 5.00%	2.00% - 5.00%	2.00% - 5.54%
Expected rate of return on plan assets	1.50% - 2.50%	2.00% - 2.50%	2.00% - 3.99%

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

c. Marketable securities

As of December 31, 2010 and 2011, marketable securities by category were as follows:

	December 31, 2010			
	Cost	Unrealized Holding Gross Gains	Unrealized Holding Gross Losses	Fair Value
	NT$	NT$	NT$	NT$
Available-for-sale				
Open-end mutual funds	310,016	1,054	-	311,070
Quoted stocks	47,595	188,224	(1,159)	234,660
Convertible bonds	87,420	-	-	87,420
	445,031	189,278	(1,159)	633,150

	December 31, 2011							
	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	105,480	3,485	93,376	3,085	(1,804)	(60)	197,052	6,510
Convertible bonds	90,825	3,001	-	-	-	-	90,825	3,001
	196,305	6,486	93,376	3,085	(1,804)	(60)	287,877	9,511

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, 2009, 2010 and 2011 were NT$38,971,185 thousand, NT$20,883,928 thousand and NT$2,078,725 thousand (US$68,673 thousand), respectively. Gross realized gains on these sales for the years ended December 31, 2009, 2010 and 2011 were NT$8,235 thousand, NT$40,496 thousand and NT$50,089 thousand (US$1,655 thousand), respectively. Gross realized losses on these sales for the years ended December 31, 2009, 2010 and 2011 were NT$27,673 thousand, NT$1,824 thousand and NT$1,606 thousand (US$53 thousand), respectively. For the years ended December 31, 2009, 2010 and 2011, the other-than-temporary loss on impairment of available-for-sale financial assets was nil, NT$2,680 thousand and nil, respectively.

d. 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:

<u>ASE Inc. Option Plan</u>

The grant date fair value for the employee stock option granted in 2010 and 2011 was NT$6.26 and NT$8.06 (US$0.27) per unit, respectively. Other information regarding these employee stock option plans is provided in Note 22.

<u>ASE Mauritius Inc. and USI Option Plan</u>

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, 2011, there was NT$1,600,459 thousand (US$52,873 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 2.6 years.

e. In accordance with the U.S. guidance relating to reporting comprehensive income, the statements of comprehensive income for the years ended December 31, 2009, 2010 and 2011 are presented below:

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Net income based on U.S. GAAP	5,520,377	18,900,944	13,780,386	455,249
Other comprehensive income (loss), net of tax:				
Translation adjustments	(1,164,331)	(4,479,649)	4,568,156	150,914
Unrealized gain (loss) on financial instruments	464,936	220,805	(4,662)	(154)
Unrecognized pension cost	16,688	(361,824)	(77,177)	(2,550)
Comprehensive income	4,837,670	14,280,276	18,266,703	603,459
Attributable to				
Shareholders of the parent	4,198,139	13,620,418	17,923,130	592,109
Noncontrolling interest	639,531	659,858	343,573	11,350
	4,837,670	14,280,276	18,266,703	603,459

The tax adjustment for comprehensive income for the years ended December 31, 2009, 2010 and 2011 was nil, NT$38,464 thousand and NT$28,557 thousand (US$943 thousand), respectively.

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

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Cumulative translation adjustment	(1,120,235)	3,352,220	110,744
Unrealized gain on financial instruments	246,303	241,641	7,983
Actuarial loss and transition obligation	(1,709,026)	(1,783,122)	(58,907)
Accumulated other comprehensive income (loss)	(2,582,958) *	1,810,739	59,820

* This amount has been revised from the prior year presentation to correct a mathematical error resulting from the actuarial loss and transition obligation being added as opposed to subtracted to arrive at the total accumulated other comprehensive income (loss) balance as of December 31, 2010. The total accumulated other comprehensive income as reflected in the prior year disclosure was NT$834,711 thousand. This change does not have any impact to the net income or

shareholders equity under US GAAP reconciliations disclosed in Note 33 or impact any other US GAAP disclosures.

f. Goodwill

As of December 31, 2010 and 2011, the Company had goodwill of NT$10,184,862 thousand and NT$10,244,285 thousand (US$338,430 thousand), respectively, primarily included in the testing segment.

Changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2011, by segment, were as follows:

	Packaging	Testing	EMS	Other	Total	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance as of January 1, 2010	1,480,369	7,775,590	-	511,635	9,767,594	322,682
Goodwill acquired	-	242,495	328,005	-	570,500	18,847
Translation adjustment	(37,217)	(114,618)	-	(1,397)	(153,232)	(5,062)
Balance as of December 31, 2010	1,443,152	7,903,467	328,005	510,238	10,184,862	336,467
Goodwill acquired	-	-	-	6,934	6,934	229
Goodwill impaired	-	-	-	(6,934)	(6,934)	(229)
Translation adjustment	14,616	44,258	-	549	59,423	1,963
Balance as of December 31, 2011	1,457,768	7,947,725	328,005	510,787	10,244,285	338,430

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, 2010 and 2011, 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$52,878 thousand) as of December 31, 2010 and 2011.

g. Intangible assets other than goodwill

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

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Cost			
Land use rights	2,449,030	3,725,163	123,064
Customer relationship	1,704,635	1,704,635	56,314
Patents	1,185,409	1,228,165	40,574
Acquired special technology	709,088	709,088	23,425
Projects in progress	493,000	493,000	16,287
Others	-	9,238	305
	6,541,162	7,869,289	259,969

(Continued)

	December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Accumulated amortization			
Land use rights	166,290	198,293	6,551
Customer relationship	415,434	661,985	21,870
Patents	326,683	659,626	21,791
Acquired special technology	366,362	508,180	16,788
Projects in progress	90,383	188,983	6,243
Others	-	273	8
	1,365,152	2,217,340	73,251
	5,176,010	5,651,949	186,718

(Concluded)

The aggregate amortization expense for the years ended December 31, 2009, 2010 and 2011 was NT$282,872 thousand, NT$828,980 thousand and NT$835,318 thousand (US$27,596 thousand), respectively.

As of December 31, 2011, the future estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

	Amount	
	NT$	US$ (Note 2)
2012	790,050	26,100
2013	627,692	20,736
2014	300,181	9,917
2015	201,564	6,659
2016	186,833	6,172

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 was 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			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Basic EPS				
Income attributable to shareholders of the parent	5,317,509	18,158,180	13,532,514	447,060
Effect of subsidiaries' stock option plans	(26,411)	(102,700)	-	-

(Continued)

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Diluted EPS				
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	5,291,098	18,055,480	13,532,514	447,060
Weighted average outstanding shares (in thousands)				
Basic	6,331,192	6,585,329	6,592,541	
Effect of dilutive potential common stock	21,802	31,859	53,499	
Diluted	6,352,994	6,617,188	6,646,040	

(Concluded)

For the years ended December 31, 2009, 2010 and 2011, 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, 2009, 2010 and 2011:

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$ (Note 2)
Balance, beginning of year	19,820	19,319	17,576	581
Increase related to current year tax position	-	-	48,570	1,605
Translation adjustment	(501)	(1,743)	682	22
Balance, end of year	19,319	17,576	66,828	2,208

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 years ended December 31, 2009 and 2010, the total amount of interest expense and penalties related to tax uncertainty was approximately NT$2,375 thousand and NT$766 thousand, respectively. For the year ended December 31, 2011, NT$7,065 thousand (US$233 thousand) of interest expense and penalties related to tax uncertainty was reversed. The total amount of interest and penalties recognized as of December 31, 2010 and 2011 was NT$20,565 thousand and NT$13,500 thousand (US$446 thousand), respectively. As of December 31, 2011, 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 we use to measure financial assets and liabilities at fair value.

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 and financial notes, 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 abovementioned 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 abovementioned convertible bonds were measured and disclosed at cost and included in Level 3.

The following table presents our assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2011:

	Level 1	**Level 2**	**Level 3**	**Total**
	NT$	**NT$**	**NT$**	**NT$**
December 31, 2010				
Assets				
Derivative financial assets				
Swap contracts	-	173,389	-	173,389

(Continued)

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
Cross currency swap contracts	-	163,670	-	163,670
Forward exchange contracts	-	48,569	-	48,569
Marketable securities - trading				
Open-end mutual funds	590,168	-	-	590,168
Financial notes	-	288,486	-	288,486
Quoted stocks	94,661	-	-	94,661
Marketable securities - available-for-sale				
Open-end mutual funds	311,070	-	-	311,070
Quoted stocks	234,660	-	-	234,660
Convertible bonds	-	-	87,420	87,420
	1,230,559	674,114	87,420	1,992,093
Liabilities				
Derivative financial liabilities				
Cross currency swap contracts	-	507,546	-	507,546
Swap contracts	-	394,747	-	394,747
Interest rate swap contracts	-	189,541	-	189,541
Forward exchange contracts	-	13,757	-	13,757
	-	1,105,591	-	1,105,591
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

(Concluded)

	Level 1	Level 2	Level 3	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
December 31, 2011				
Assets				
Derivative financial assets				
Swap contracts	-	15,808	-	15,808
Forward exchange contracts	-	357	-	357
Marketable securities - trading				
Open-end mutual funds	5,635	-	-	5,635
Quoted stocks	1,548	-	-	1,548
Marketable securities - available-for-sale				
Quoted stocks	6,510	-	-	6,510
Convertible bonds	-	-	3,001	3,001
	13,693	16,165	3,001	32,859
Liabilities				
Derivative financial liabilities				
Swap contracts	-	2,691	-	2,691
Interest rate swap contracts	-	1,925	-	1,925
Cross currency swap contracts	-	1,284	-	1,284
Forward exchange contracts	-	461	-	461
	-	6,361	-	6,361

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, 2010 and 2011:

	Balance	Level 1	Level 2	Level 3	Total Losses
	NT$	NT$	NT$	NT$	NT$
December 31, 2010					
Property, plant and equipment, net	43,394	-	-	43,394	206,983
Equity method investments - SCT	20,085	-	-	20,085	41,739
	63,479	-	-	63,479	248,722
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

	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, 2011					
Property, plant and equipment, net	915	-	-	915	10,432
Financial assets carried at cost - noncurrent	820	-	-	820	2,882
Goodwill	338,430	-	-	338,430	229
Equity method investments - SCT	-	-	-	-	203
	340,165	-	-	340,165	13,746

The fair value measurements of the property, plant and equipment are determined based on observable inputs by reference to comparable sales data and substitute costs with insignificant adjustment. For the years ended December 31, 2010 and 2011, respectively, total carrying amount of property, plant and equipment of NT$250,377 thousand and NT$343,495 thousand (US$11,347 thousand) were written down to their fair value, NT$43,394 thousand and NT$27,708 thousand (US$915 thousand), resulting in NT$206,983 thousand and NT$315,787 thousand (US$10,432 thousand) impairment charge, included in earnings for the period.

As discussed in Note 6, the Company recognized an impairment loss for private-placement shares which were accounted as available-for-sale financial assets 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.

As discussed in Note 12, the Company recognized an impairment loss for the equity method investments on SCT. Due to the absence of quoted market price, the fair value of the unlisted equity method instruments was determined using the discounted cash flow model, considering the investee's current and future expected operating performance, industry trends, and competitive advantages.

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, 2010 and 2011, respectively:

	Year Ended December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Balance, beginning of year	96,090	87,420	2,888
Translation adjustment	(8,670)	3,405	113
Balance, end of year	87,420	90,825	3,001

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 (US$45,135 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$	**US$ (Note 2)**
Fair value of total consideration transferred		
Cash paid	166,238	5,492
Credit by accounts receivable	1,000,000	33,036
Other payables under "other liabilities - other"	200,000	6,607
	1,366,238	45,135

(Continued)

	As of Acquisition Date	
	NT$	US$ (Note 2)
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	1,636,455	54,062
Other assets	4	-
Liabilities assumed	(60,981)	(2,014)
	1,575,478	52,048
Noncontrolling interest in Luchu	(216,174)	(7,142)
Goodwill	6,934	229
	1,366,238	45,135

(Concluded)

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 (US$19 thousand).

The following unaudited pro forma information is for illustrative purposes only and presents the results of operations for the years ended December 31, 2010 and 2011 and under U.S. GAAP as though the USI Acquisition, EEMS Test Singapore Pte. Ltd. Acquisition and Luchu 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, USI, EEMS Test Singapore Pte. Ltd. and Luchu 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		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Net revenues	194,099,705	185,347,206	6,123,132
Net income	18,999,879	13,445,270	444,178

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

	Year Ended December 31		
	2010	2011	
	NT$	NT$	US$ (Note 2)
Net income attributable to shareholders of the parent	18,158,180	13,532,514	447,060
Transfers to noncontrolling interest:			
Decrease in the parent's capital surplus for the purchase of subsidiaries' common shares from noncontrolling interest	(567,302)	(303,748)	(10,035)
Change from net income attributable to shareholders of the parent and transfers from noncontrolling interest	17,590,878	13,228,766	437,025