Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements as of December 31, 2009 and 2010 and for the Years Ended December 31, 2008, 2009 and 2010 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, 2009 and 2010, 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, 2010, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2009 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and 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. Thereafter, the USI shareholdings held by the Company were increased to 98.9%. As a result, the consolidated results of operations of USI and its subsidiaries from the date of acquisition to December 31, 2010 have been included in the consolidated financial statements referred to above.

As discussed in Note 3 to the consolidated financial statements, starting from January 1, 2009, the Company adopted the newly revised ROC Statement of Financial Accounting Standards ("SFAS") No.10, "Accounting for Inventories". Besides, starting from January 1, 2008, the Company changed its method of accounting for bonuses paid to employees, directors and supervisors upon adoption of Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the ROC Accounting Research and Development Foundation ("ARDF") in March 2007.

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

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, 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 28, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche
Taipei, Taiwan
The Republic of China
April 28, 2011

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	December 31		
	2009	2010	
ASSETS	NT$	NT$	US$ (Note 2)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 4)	$ 22,557,494	$ 23,397,557	$ 802,936
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,024,711	1,195,273	41,018
Available-for-sale financial assets - current (Notes 2 and 6)	3,995,524	338,094	11,603
Hedging derivative assets - current (Notes 2 and 26)	-	163,670	5,617
Accounts receivable, net (Notes 2 and 7)	17,811,541	32,870,448	1,128,018
Other receivables	1,226,747	1,590,006	54,564
Guarantee deposits – current	256,876	14,914	512
Inventories (Notes 2, 3 and 8)	4,955,227	13,170,779	451,983
Inventories related to construction business (Notes 2, 9 and 13)	7,251,193	10,125,370	347,473
Deferred income tax assets - current (Notes 2 and 24)	893,622	919,261	31,546
Other current assets	1,425,810	1,813,553	62,236
Total current assets	61,398,745	85,598,925	2,937,506
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	-	310,426	10,653
Financial assets carried at cost - noncurrent (Notes 2 and 10)	692,059	843,740	28,955
Bond investments with no active market - noncurrent (Notes 2 and 11)	96,090	87,420	3,000
Equity method investments (Notes 2 and 12)	4,371,841	1,158,498	39,756
Total long-term investments	5,159,990	2,400,084	82,364
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 28 and 29)			
Cost			
Land	2,374,530	3,065,169	105,188
Buildings and improvements	41,186,763	50,322,341	1,726,916
Machinery and equipment	131,206,473	157,001,044	5,387,819
Transportation equipment	201,003	247,876	8,506
Furniture and fixtures	3,800,859	5,097,742	174,940
Leased assets and leasehold improvements	343,204	436,640	14,984
Total cost	179,112,832	216,170,812	7,418,353
Less: Accumulated depreciation	(109,231,262)	(122,437,240)	(4,201,690)
Less: Accumulated impairment	(5,401)	(191,210)	(6,561)
	69,876,169	93,542,362	3,210,102
Construction in progress	4,167,279	1,773,002	60,844
Machinery in transit and prepayments	5,320,412	4,538,548	155,750
Property, plant and equipment, net	79,363,860	99,853,912	3,426,696
INTANGIBLE ASSETS (Notes 2 and 14)			
Goodwill	9,419,005	10,408,023	357,173
Land use rights	1,385,144	2,173,907	74,602
Other intangible assets	1,428,549	2,666,190	91,496
Total intangible assets	12,232,698	15,248,120	523,271
OTHER ASSETS			
Assets leased to others (Notes 2 and 15)	586,067	20,889	716
Idle assets (Notes 2 and 16)	419,781	1,249,047	42,864
Guarantee deposits - noncurrent	50,628	78,453	2,692
Deferred charges (Note 2)	958,560	1,381,510	47,409
Deferred income tax assets - noncurrent (Notes 2 and 24)	1,621,017	2,067,877	70,964
Restricted assets (Note 28)	177,565	236,516	8,117
Other	5,884	4,432	152
Total other assets	3,819,502	5,038,724	172,914
TOTAL	$ 161,974,795	$ 208,139,765	$ 7,142,751

	December 31		
	2009	2010	
LIABILITIES AND SHAREHOLDERS' EQUITY	NT$	NT$	US$ (Note 2)
CURRENT LIABILITIES			
Short-term borrowings (Note 17)	$ 13,024,993	$ 14,154,518	$ 485,742
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	74,530	488,818	16,775
Hedging derivative liabilities - current (Notes 2 and 26)	122,495	457,494	15,700
Accounts payable	8,954,015	24,389,249	836,968
Income tax payable (Note 2)	1,181,485	2,739,711	94,019
Accrued expenses (Notes 18 and 20)	4,346,028	7,843,657	269,172
Payable for properties	3,433,235	4,085,408	140,199
Advance real estate receipts (Note 2)	1,507,472	41,375	1,420
Current portion of long-term bank loans (Notes 19 and 28)	923,284	2,990,176	102,614
Current portion of capital lease obligations (Note 2)	12,055	28,838	990
Other current liabilities	994,497	2,515,258	86,316
Total current liabilities	34,574,089	59,734,502	2,049,915
LONG-TERM LIABILITIES			
Hedging derivative liabilities - noncurrent (Notes 2 and 26)	311,778	159,279	5,466
Long-term bank loans (Notes 19 and 28)	48,990,517	52,363,718	1,796,970
Capital lease obligations (Note 2)	3,718	10,782	370
Total long-term liabilities	49,306,013	52,533,779	1,802,806
OTHER LIABILITIES			
Accrued pension cost (Notes 2 and 20)	2,729,844	3,250,439	111,546
Deferred income tax liabilities (Notes 2 and 24)	180,955	372,525	12,784
Other	470,200	409,195	14,042
Total other liabilities	3,380,999	4,032,159	138,372
Total liabilities	87,261,101	116,300,440	3,991,093
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			
Issued - 5,479,878 thousand shares in 2009 and 6,051,987 thousand shares in 2010	54,798,783	60,519,872	2,076,866
Capital received in advance	135,205	299,698	10,285
Total capital stock	54,933,988	60,819,570	2,087,151
Capital surplus (Notes 21 and 22)			
Capital in excess of par value	1,311,421	1,197,845	41,107
Treasury stock transactions	827,285	2,136,353	73,313
Long-term investments	3,538,222	3,527,240	121,045
Employee stock options	-	319,147	10,952
Other	656,827	-	-
Total capital surplus	6,333,755	7,180,585	246,417
Retained earnings (Note 21)	13,229,409	24,972,944	856,999
Other equity adjustments (Notes 2, 6, 20 and 21)			
Unrealized gain on financial instruments	25,498	246,303	8,452
Cumulative translation adjustments	3,276,508	(1,120,618)	(38,456)
Unrecognized pension cost	(248,641)	(398,103)	(13,662)
Treasury stock - 322,532 thousand shares in 2009 and 151,792 thousand shares in 2010	(5,934,491)	(3,144,312)	(107,904)
Total other equity adjustments	(2,881,126)	(4,416,730)	(151,570)
Total equity attributable to shareholders of the parent	71,616,026	88,556,369	3,038,997
MINORITY INTEREST	3,097,668	3,282,956	112,661
Total shareholders' equity	74,713,694	91,839,325	3,151,658
TOTAL	$ 161,974,795	$ 208,139,765	$ 7,142,751

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

(With Deloitte & Touche audit report dated April 28, 2011)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
NET REVENUES (Notes 2 and 9)				
Packaging	$ 73,391,622	$ 67,935,456	$ 101,071,294	$ 3,468,473
Testing	19,021,360	15,795,108	21,956,997	753,500
Electronic manufacturing service	-	-	59,577,374	2,044,522
Other	2,017,930	2,044,750	6,137,132	210,608
Total net revenues	94,430,912	85,775,314	188,742,797	6,477,103
COST OF REVENUES (Notes 3, 8, 9 and 23)				
Packaging	58,917,026	55,387,593	79,750,674	2,736,811
Testing	12,766,132	11,342,103	13,711,338	470,533
Electronic manufacturing service	-	-	53,095,183	1,822,072
Other	664,571	703,948	1,641,029	56,315
Total cost of revenues	72,347,729	67,433,644	148,198,224	5,085,731
GROSS PROFIT	22,083,183	18,341,670	40,544,573	1,391,372
OPERATING EXPENSES (Notes 2, 23 and 27)				
Research and development	3,671,204	3,611,950	6,162,191	211,469
Selling	1,158,637	1,209,199	2,909,643	99,850
General and administrative	5,694,224	4,310,692	7,373,733	253,045
Total operating expenses	10,524,065	9,131,841	16,445,567	564,364
INCOME FROM OPERATIONS	11,559,118	9,209,829	24,099,006	827,008
NON-OPERATING INCOME AND GAINS				
Interest income (Note 26)	326,772	173,870	215,228	7,386
Gain on valuation of financial assets, net (Notes 2 and 5)	286,914	934,938	1,169,434	40,132
Equity in earnings of equity method investments (Notes 2 and 12)	77,450	330,117	72,980	2,504
Foreign exchange gain, net (Note 2)	282,031	4,203	317,553	10,898
Other (Note 15)	671,627	620,194	781,752	26,827
Total non-operating income and gains	1,644,794	2,063,322	2,556,947	87,747
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 9, 13 and 26)	1,813,296	1,508,023	1,386,011	47,564
Loss on valuation of financial liabilities, net (Notes 2 and 5)	732,204	645,774	1,092,316	37,485
Loss on disposal of property, plant and equipment (Note 2)	6,910	26,208	445,276	15,281
Impairment loss (Notes 2, 6, 10, 12, 13 and 16)	293,319	11,117	251,402	8,627
Other	882,418	693,639	657,319	22,557
Total non-operating expenses and losses	3,728,147	2,884,761	3,832,324	131,514
INCOME BEFORE INCOME TAX	9,475,765	8,388,390	22,823,629	783,241
INCOME TAX EXPENSE (Notes 2 and 24)	2,268,282	1,484,922	3,628,740	124,528
NET INCOME	$ 7,207,483	$ 6,903,468	$ 19,194,889	$ 658,713
ATTRIBUTABLE TO				
Shareholders of the parent	$ 6,160,052	$ 6,744,546	$ 18,337,500	$ 629,290
Minority interest	1,047,431	158,922	857,389	29,423
	$ 7,207,483	$ 6,903,468	$ 19,194,889	$ 658,713

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
EARNINGS PER SHARE (Note 25)				
Basic earnings per share				
Before income tax	$ 1.24	$ 1.35	$ 3.22	$ 0.11
After income tax	$ 1.04	$ 1.19	$ 3.10	$ 0.11
Diluted earnings per share				
Before income tax	$ 1.21	$ 1.33	$ 3.16	$ 0.11
After income tax	$ 1.02	$ 1.17	$ 3.04	$ 0.10
EARNINGS PER ADS (Note 25)				
Basic earnings per ADS				
Before income tax	$ 6.19	$ 6.75	$ 16.11	$ 0.55
After income tax	$ 5.19	$ 5.94	$ 15.52	$ 0.53
Diluted earnings per ADS				
Before income tax	$ 6.06	$ 6.67	$ 15.79	$ 0.54
After income tax	$ 5.08	$ 5.86	$ 15.21	$ 0.52

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

(With Deloitte & Touche audit report dated April 28, 2011) (Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

				Retained Earnings			Other Equity Adjustments					
	Capital Stock	Capital Received in Advance	Capital Surplus	Legal 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, 2008	$ 54,475,589	$ 491,883	$ 6,394,834	$ 1,698,504	$ 12,199,709	$ 13,898,213	$ 402,518	$ 2,179,808	$ (6,516)	$ (2,662,968)	$ 14,566,527	$ 89,739,888
Appropriations of 2007 earnings												
Legal reserve	-	-	-	1,216,525	(1,216,525)	-	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	(216,000)	(216,000)	-	-	-	-	-	(216,000)
Bonus to employees - cash	-	-	-	-	(383,205)	(383,205)	-	-	-	-	-	(383,205)
Bonus to employees - stock	383,205	-	-	-	(383,205)	(383,205)	-	-	-	-	-	-
Cash dividends - 17.1%	-	-	-	-	(9,361,728)	(9,361,728)	-	-	-	-	-	(9,361,728)
Stock dividends - 0.9%	492,723	-	-	-	(492,723)	(492,723)	-	-	-	-	-	-
Issuance of common stock from capital surplus	1,094,939	-	(1,094,939)	-	-	-	-	-	-	-	-	-
Adjustment of equity method investments	-	-	1,014	-	-	-	(432,247)	-	(8,190)	(3,271,523)	(250,883)	(3,961,829)
Cash dividends received by subsidiaries from parent company	-	-	535,100	-	-	-	-	-	-	-	-	535,100
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	(18,014)	-	-	-	-	(18,014)
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	(391,695)	-	-	-	-	(391,695)
Stock options exercised by employees	198,067	(58,565)	101,268	-	-	-	-	-	-	-	-	240,770
Conversion of convertible bonds	259,755	(429,931)	436,010	-	-	-	-	-	-	-	-	265,834
Net income in 2008	-	-	-	-	6,160,052	6,160,052	-	-	-	-	1,047,431	7,207,483
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	1,435,527	1,435,527
Changes in minority interest from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,509,854)	(14,509,854)
Cumulative translation adjustments	-	-	-	-	-	-	-	2,694,149	-	-	-	2,694,149
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(215,695)	-	-	(215,695)
Acquisition of treasury stock - 108,700 thousand shares	-	-	-	-	-	-	-	-	-	(1,099,989)	-	(1,099,989)
BALANCE, DECEMBER 31, 2008	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
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	213,335	213,335
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	-	-
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												
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
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	(453,713)	(453,713)
Changes in minority interest from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(130,034)	(130,034)
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)
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
U.S. Dollars (Note 2)												
BALANCE, DECEMBER 31, 2010	$ 2,076,866	$ 10,285	$ 246,417	$ 144,320	$ 712,679	$ 856,999	$ 8,452	$ (38,456)	$ (13,662)	$ (107,904)	$ 112,661	$ 3,151,658

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

(With Deloitte & Touche audit report dated April 28, 2011)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 7,207,483	$ 6,903,468	$ 19,194,889	$ 658,713
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	16,333,515	16,775,929	18,473,333	633,951
Amortization	911,337	862,153	1,381,140	47,397
Impairment loss	293,319	11,117	251,402	8,627
Compensation cost for employee stock options granted	-	-	319,147	10,952
Equity in earnings of equity method investments	(77,450)	(330,117)	(72,980)	(2,504)
Cash dividends received from equity method investments	292,094	82,299	20,589	706
Loss on disposal of property, plant and equipment	6,910	26,280	445,276	15,281
Provision for inventory valuation and obsolescence	510,038	191,904	340,268	11,677
Deferred income taxes	701,722	229,744	55,764	1,914
Other	206,604	380,136	(783,535)	(26,889)
Changes in operating assets and liabilities				
Financial assets for trading	1,064,514	(487,231)	(75,120)	(2,578)
Accounts receivable	7,474,046	(6,470,810)	(1,248,494)	(42,845)
Other receivable	223,690	(129,022)	(617,803)	(21,201)
Inventories	767,071	(1,509,143)	(2,171,624)	(74,524)
Construction in progress related to property development	(591,148)	(6,107,080)	(2,874,177)	(98,633)
Other current assets	96,399	(411,045)	(132,716)	(4,554)
Financial liabilities for trading	38,545	(8,346)	410,778	14,097
Accounts payable	(4,345,030)	3,786,668	1,656,567	56,848
Income tax payable	27,949	(83,789)	1,462,879	50,202
Accrued expenses	111,446	259,250	2,239,267	76,845
Advance real estate receipts	-	1,507,472	(1,466,097)	(50,312)
Other current liabilities	(524,255)	37,391	156,341	5,365
Net cash provided by operating activities	30,728,799	15,517,228	36,965,094	1,268,535
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets	(7,692,649)	(42,695,001)	(16,670,994)	(572,100)
Proceeds from disposal of available-for-sale financial assets	16,714,277	38,971,185	20,883,928	716,676
Acquisition of bond investments with no active market	(450,000)	(97,740)	-	-
Proceeds from disposal of bond investments with no active market	-	450,000	-	-
Acquisition of financial assets carried at cost	(74,477)	(154,544)	(42,892)	(1,472)
Cash received from return of capital by financial assets carried at cost	6,295	3,203	28,556	980
Proceeds from disposal of held-to-maturity financial assets	50,000	-	-	-
Acquisition of equity method investments	-	(84,000)	-	-
Cash received from return of capital by equity method investments	-	-	3,169	109
Acquisition of subsidiaries	(26,490,526)	-	(6,181,583)	(212,134)
Acquisition of property, plant and equipment	(18,583,343)	(11,445,621)	(34,109,113)	(1,170,526)
Proceeds from disposal of property, plant and equipment	187,521	93,116	261,010	8,957
Decrease (increase) in guarantee deposits	429,082	(246,280)	255,260	8,760
Decrease (increase) in restricted assets	87,652	13,851	(17,834)	(612)
Increase in other assets	(442,555)	(337,864)	(713,149)	(24,473)
Acquisition of intangible assets	(100,444)	(1,020)	(231,813)	(7,955)

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Decrease (increase) in other receivables	$ -	$ (450,000)	$ 450,000	$ 15,442
Net cash used in investing activities	(36,359,167)	(15,980,715)	(36,085,455)	(1,238,348)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of):				
Short-term borrowings	(1,702,051)	4,245,726	(2,714,111)	(93,140)
Short-term bills payable	(149,831)	-	-	-
Bonds payable	(5,549,983)	(1,375,000)	-	-
Proceeds from long-term bank loans	42,020,525	31,145,664	32,586,219	1,118,264
Repayments of long-term bank loans and capital lease obligations	(11,858,119)	(33,385,917)	(25,792,377)	(885,119)
Increase (decrease) in guarantee deposits received	(48,634)	28,800	(2,269)	(78)
Proceeds from exercise of stock options by employees	240,770	238,789	499,404	17,138
Compensation to directors and supervisors and bonus to employees	(599,205)	-	-	-
Cash dividends, net of cash dividends received by subsidiaries	(8,826,628)	(2,575,673)	(1,940,654)	(66,598)
Repurchase of treasury stock	(1,099,989)	(1,314,273)	(1,185,205)	(40,673)
Increase in minority interest	1,435,527	213,335	250,448	8,595
Net cash provided by (used in) financing activities	13,862,382	(2,778,549)	1,701,455	58,389
EFFECT OF EXCHANGE RATE CHANGES	748,981	(339,400)	(1,741,031)	(59,747)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,980,995	(3,581,436)	840,063	28,829
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,157,935	26,138,930	22,557,494	774,107
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,138,930	$ 22,557,494	$ 23,397,557	$ 802,936
SUPPLEMENTAL INFORMATION				
Interest paid	$ 1,896,001	$ 1,832,333	$ 1,683,056	$ 57,758
Less: Capitalized interest	(176,801)	(173,169)	(296,827)	(10,186)
Interest paid (excluding capitalized interest)	$ 1,719,200	$ 1,659,164	$ 1,386,229	$ 47,572
Income tax paid	$ 1,538,611	$ 1,338,967	$ 2,110,097	$ 72,412
Cash paid for acquisition of property, plant and equipment				
Acquisition of property, plant and equipment	$ 16,623,705	$ 12,631,932	$ 34,761,050	$ 1,192,898
Decrease (increase) in payable	1,963,582	(1,186,311)	(651,937)	(22,372)
Increase in capital lease obligations	(3,944)	-	-	-
	$ 18,583,343	$ 11,445,621	$ 34,109,113	$ 1,170,526
Cash received from disposal of property, plant and equipment				
Proceeds from disposal of property, plant and equipment	$ 100,162	$ 115,263	$ 290,165	$ 9,958
Decrease (increase) in other receivables	87,359	(22,147)	(29,155)	(1,001)
	$ 187,521	$ 93,116	$ 261,010	$ 8,957

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS				
Current portion of long-term bank loans	$ 2,670,845	$ 923,284	$ 2,990,176	$ 102,614
Current portion of capital lease obligations	23,133	12,055	28,838	990
Payable to minority interest	-	-	718,023	24,640
Bonds converted to capital stock	265,834	-	-	-

The Company acquired ASE WeiHai Inc. ("ASE WeiHai") in January 2008 for NT$212,856 thousand, minority interest of ASE Test Limited ("ASE Test") in May 2008 for NT$26,309,311 thousand, and also acquired 60.07% shareholdings of USI in February 2010 for NT$13,475,056 thousand (US$462,424 thousand). The net cash payments and fair values of acquired assets and liabilities of ASE WeiHai Inc. and USI at acquisition dates were shown as follows:

	As of Acquisition Dates		
	2008	2010	
	NT$	NT$	US$ (Note 2)
Current assets	$ 218,070	$ 29,599,348	$ 1,015,764
Long-term investments	-	497,508	17,073
Property, plant and equipment, net	669,159	6,866,077	235,624
Other assets	2,986	4,743,627	162,787
Current liabilities	(706,649)	(19,490,014)	(668,840)
Long-term bank loans (including current portion)	-	(100,000)	(3,432)
Other liabilities	-	(365,877)	(12,556)
	183,566	21,750,669	746,420
Percentage of acquired shareholdings	100.00%	60.07%	60.07%
	183,566	13,065,626	448,374
Goodwill	29,290	409,430	14,050
Total consideration	212,856	13,475,056	462,424
Less: Acquired through delivery of treasury stock	-	(5,246,916)	(180,059)
	212,856	8,228,140	282,365
Less: Cash received of acquired companies at acquisition dates	(31,641)	(8,842,323)	(303,442)
Net cash outflow (inflow) from the acquisitions	$ 181,215	$ (614,183)	$ (21,077)

The Company further acquired 20.8% shareholdings of USI in August 2010 for cash consideration of NT$4,667,117 thousand (US$160,162 thousand).

In addition, the Company, through ASE Singapore Pte. Ltd. (“ASE Singapore”), acquired 100% shareholdings of EEMS Test Singapore Pte. Ltd. from its parent company, EEMS Asia Pte. Ltd. in August 2010 for US$72,163 thousand. The net cash payments and carrying values of acquired assets and liabilities of EEMS Test Singapore Pte. Ltd. at the acquisition date were shown as follows:

	As of Acquisition Date	
	NT$	US$ (Note 2)
Current assets	$ 653,487	$ 22,426
Property, plant and equipment, net	1,352,212	46,404
Other assets	145,239	4,984
Current liabilities	(102,224)	(3,508)
Long-term bank loans (including current portion)	(105,773)	(3,630)
	1,942,941	66,676
Goodwill	361,384	12,402
Total consideration	2,304,325	79,078
Less: Cash received of acquired company at acquisition date	(175,676)	(6,029)
Net cash outflow from the acquisition	$ 2,128,649	$ 73,049

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

(With Deloitte & Touche audit report dated April 28, 2011) (Concluded)

1. ORGANIZATION

Advanced Semiconductor Engineering, Inc. ("ASE Inc." or including its subsidiaries, collectively the "Company"), 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, 2009 and 2010, the Company had approximately 29,500 and 48,900 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China ("ROC GAAP"). Under these guidelines and principles, the Company should make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from these estimates. 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 32). The accompanying consolidated balance sheets are presented as of December 31, 2009 and 2010, 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, 2010.

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:

Name of Investor	Name of Investee	Percentage of Ownership December 31 2009	Percentage of Ownership December 31 2010	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")	76.2	70.6	Holding company
	ASE Marketing & Service Japan Co., Ltd.	100.0	100.0	Engaged in marketing and sales services
	ASE Test, Inc.	100.0	100.0	Engaged in the testing of semiconductors
	PowerASE Technology Inc. ("PowerASE")	56.0	55.7	Engaged in the packaging and testing of memory integrated circuits
	USI	-	74.2	Engaged in the manufacturing, processing and sale of computer peripherals, computers and related accessories
ASE Test, Inc.	Alto Enterprises Limited ("Alto")	-	100.0	Holding company
	Super Zone Holdings Limited ("Super Zone")	-	100.0	Holding company
Alto	ASE (Kun Shan) Inc. ("ASE Kun Shan")	-	24.5	Engaged in the packaging and testing of semiconductors
Super Zone	Advanced Semiconductor Engineering (China) Ltd.	-	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	10.2	10.2	Holding company
	USI	-	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	-	100.0	Engaged in the packaging and testing of semiconductors and was restructured from J&R Holding in April 2010

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2009	2010	Remark
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
	ASE (U.S.) Inc.	100.0	100.0	After-sales service and sales support
	Global Advanced Packaging Technology Ltd., Cayman Islands ("GAPT Cayman")	100.0	100.0	Holding company
	ASE WeiHai	100.0	-	As aforementioned
	Suzhou ASEN Semiconductors Co., Ltd. ("ASEN")	60.0	60.0	Engaged in the packaging and testing of semiconductors
	Omniquest	9.2	8.5	Holding company
	ASE Test	89.8	89.8	Holding company
	USI	-	8.2	As aforementioned
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	14.6	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	Will engage in the production of electronic components and printed circuit boards
	ASE Kun Shan	100.0	75.5	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")	14.0	20.4	Engaged in the development and sale of real estate properties
	Advanced Semiconductor Engineering (HK) Limited	100.0	100.0	Engaged in trading
	Universal Scientific Industrial (Shanghai) Co., Ltd. ("USISH")	-	0.5	Engaged in the designing, manufacturing and processing of new electronic components

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2009	2010	Remark
Shanghai DH	Shanghai Ding Wei Real Estate Development Co., Ltd.	100.0	100.0	Engaged in the development and sale of real estate properties
	Shanghai Ding Yu Real Estate Development Co., Ltd.	-	100.0	Established in March 2010 to engage in the development and sale 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	100.0	100.0	Engaged in the testing of semiconductors
	USI	-	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. ("ASE Malaysia")	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	Engaged in trading
	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
	ASE Shanghai	0.6	0.6	As aforementioned
	Shanghai DH	76.0	69.6	As aforementioned
USI	Huntington Holdings International Co., Ltd. ("HHI")	-	100.0	Holding company
	Senetex Investment Co., Ltd.	-	100.0	Engaged in the investing activity
	Ta-Chi Investment Co., Ltd.	-	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

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2009	2010	Remark
	Universal Scientific Industrial (UK) Ltd.	-	100.0	After-sales service
	Unitech Holdings International Co., Ltd.	-	100.0	Engaged in the investing activity
	USI Japan Co., Ltd.	-	100.0	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories
	Real Tech Holdings Limited (“RTH”)	-	100.0	Holding company
	USI International Limited	-	100.0	Engaged in the sale of motherboards and computer peripherals
	USI@Work, Inc.	-	100.0	After-sales service
	Universal ABIT Holding Co., Ltd. (“UABIT Holding”)	-	100.0	Holding company
RTH	USI Electronics (Shenzhen) Co., Ltd. (“USISZ”)	-	100.0	Engaged in the designing, manufacturing and sale of motherboards and computer peripherals and other related accessories
	Universal Scientific Industrial (Kunshan) Co., Ltd.	-	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
USISZ	USISH	-	0.5	As aforementioned
UEHC	USI Enterprise Limited (“USIE”)	-	100.0	Holding company
USIE	USISH	-	99.0	As aforementioned
USISH	Universal Global Technology Co., Limited (“UG”)	-	100.0	Holding company
	Universal Global Technology (Shenzhen) Co., Ltd. (“UGSZ”)	-	50.0	Engaged in the research and development of computer peripherals
UG	UGSZ	-	50.0	As aforementioned
	Universal Global Industrial Co., Limited	-	100.0	Engaged in the manufacturing, trading and investing activities

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2009	2010	Remark
	Universal Global Scientific Industrial Co., Ltd.	-	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	Engaged in the manufacturing and processing of motherboards and wireless network communication and provision of related technical service
UABIT Holding	Universal ABIT NL B.V.	-	100.0	Engaged in the trading of motherboards and computer peripherals

(Concluded)

ASE Test Acquisition

On May 30, 2008, ASE Inc. acquired from minority shareholders of ASE Test the remaining 53.4% of shares it did not own. ASE Inc. acquired by cash the ordinary shares of ASE Test (the "ASE Test Acquisition") listed on NASDAQ (the "ASE Test NASDAQ Shares") for US$14.78 per share and those listed on the TSE in the form of Taiwan Depositary Receipts (the "TDRs") for NT$5.6314 per TDR. The purpose of the acquisition of the minority shareholders' shares of ASE Test was to fully consolidate ASE Test's earnings with the Company's, simplify the organizational structure, reduce costs and administrative burdens associated with filing and compliance requirements, enhance brand recognition, and increase flexibility in making investments and allocating resources among subsidiaries. The total purchase price was NT$26,309,311 thousand. After the ASE Test Acquisition, ASE Test became a wholly-owned subsidiary of ASE Inc., and the ASE Test NASDAQ Shares and TDRs were delisted from NASDAQ and the TSE, respectively.

Other Major Intragroup Restructures

ASE Inc. transferred 53.4% of shares of ASE Test to J&R Holding in March 2009. The total consideration was NT$29,608,501 thousand (US$853,517 thousand), of which NT$8,794,470 thousand became the capital injected by ASE Inc. to J&R Holding in September 2009 In addition, ASE Inc. acquired 100% ownership of ASE Test, Inc.'s shares from ASE Test for NT$20,694,585 thousand (US$596,545 thousand).

USI Acquisition

On February 9, 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 60.07% 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 (US$462,424 thousand) of which 218,167 thousand shares of ASE Inc. were delivered by the subsidiaries.

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 (US$160,162 thousand) in August 2010. Afterwards, USI repurchased its treasury stock in December 2010 and as a result, the shareholdings in USI held by the Company were increased to 99.1% as of December 31, 2010.

EEMS Test Singapore Pte. Ltd. Acquisition

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

The ASE Test Acquisition and USI Acquisition were accounted for as a purchase as prescribed by ROC 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.

As of December 31, 2010, the Company had not yet completed the purchase price allocation for the EEMS Singapore Pte. Ltd. Acquisition. The excess of the acquisition price over the carrying value of the acquired net assets has been temporarily classified as goodwill, pending the finalization of the valuation report related to property, plant and equipment and intangible assets.

Had the Company acquired USI and EEMS Test Singapore Pte. Ltd. on January 1, 2009, the pro forma information is as follows:

	Year Ended December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Net Revenue	138,712,024	194,099,705	6,660,937
Net Income	7,444,290	19,319,080	662,975
Attributable to			
Shareholders of the parent	7,266,233	18,735,968	642,964
Minority interest	178,057	583,112	20,011
	7,444,290	19,319,080	662,975
Earnings Per Share			
Basic EPS (in dollar)	1.23	3.16	0.11
Diluted EPS (in dollar)	1.21	3.09	0.11

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months from the balance sheet date. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

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.

Cash Equivalents

Repurchase agreements collateralized by government bonds with maturities of less than three months from the date of purchase are classified as cash equivalents.

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets 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: Open-end mutual funds - the net asset value; publicly traded stocks - the closing-price at the balance sheet date; 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.

Revenue Recognition, Allowance for Doubtful Accounts and Allowance for Sales Discounts

Revenues from semiconductor packaging and testing services are recognized upon completion of the services or shipment. The Company does not take ownership of: (i) bare semiconductor wafers received from customers that the Company packages into finished semiconductors and (ii) packaged semiconductors received from customers that the Company tests as to whether they meet certain performance specifications. The title and risk of loss remain with the customer for those bare semiconductors and/or packaged semiconductors. Accordingly, the costs of customer-supplied semiconductor materials are not included in the accompanying consolidated financial statements. Other criteria the Company uses to determine when to recognize revenue are: (i) existence of persuasive evidence of an arrangement, (ii) the selling price is fixed or determinable and (iii) collectibility is reasonably assured.

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.

An allowance for doubtful accounts is provided based on an evaluation of the collectibility of receivables. The Company determines the amount of the allowance for doubtful accounts by examining the aging analysis of the outstanding accounts receivable, collection history and current trends in the credit quality of its customers. Allowance for sales discounts and returns are recognized based on historical experience, management’s judgment and relevant factors in the same period sales are recognized.

Inventories and Inventories for 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 for property development business includes buildings and land held for sale and construction in progress. 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 and buildings and land held for sale 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.

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.

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. A subsequent reversal of such impairment loss is not allowed.

Equity Method Investments

Investments in companies of which the Company owns at least 20% but less than 50% 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.

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.

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.

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, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others 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, 2 to 10 years; transportation equipment, 2 to 8 years; 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, assets leased to others 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 and land use rights purchased are initially recorded at cost. Patents, land use rights, acquired special technology, customer relationships and other intangible assets arising from business acquisitions are initially recorded at fair value at the date of acquisition.

Customer relationships are amortized based on the pattern in which the economic benefits of the customer relationships are consumed. Other intangible assets are amortized using the straight-line method over the estimated service lives, which range as follows: land use rights, 50 to 60 years; patent, acquired special technology and other, 3 to 20 years.

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized on a straight-line basis over the estimated life of 10 years. Effective January 1, 2006, pursuant to the revised ROC SFAS No. 25, 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.

Asset Impairment

The Company evaluates whether or not there are indications that assets (primarily property, plant and equipment, intangible assets, assets leased to others and equity method investments) may be impaired as of the balance sheet date. If there are indications, the Company estimates the recoverable amount for the asset. If an asset's 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, as if no impairment loss had been recognized.

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, 2008, 2009 and 2010, the amortization expense was NT$734,321 thousand, NT$579,281 thousand and NT$704,089 thousand (US$24,162 thousand), respectively.

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 ARDF. The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

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.

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.

Research and Development Costs

Research and development costs are charged to expenses as incurred.

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, research and development expenditures, and personnel training 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.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

The functional and reporting currency of ASE Inc. is the New Taiwan dollar, 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.

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 stockholders' equity, any exchange component of that gain or loss shall be recognized in stockholders' equity. Conversely, when a gain or loss on a non-monetary 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.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at the end of year; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized 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.

Recent Accounting Pronouncements

a. Financial Instruments

The ROC ARDF revised ROC SFAS No. 34, "Financial Instruments: Recognition and Measurement" ("ROC SFAS No. 34") in December 2008. The main revisions require that loans and receivables originated by the Company are now covered by ROC SFAS No. 34. The revised ROC SFAS No. 34 will be effective to the financial statements for the fiscal years beginning on or after January 1, 2011. The Company believes the adoption in fiscal 2011 will not have a material impact on the Company's consolidated financial position and results of operations.

b. Operating Segments

In April 2010, the ROC ARDF issued ROC SFAS No. 41, "Operating Segments" ("ROC SFAS No. 41"). The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make decisions about 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" and will be effective to the financial statements for the fiscal years beginning on or after January 1, 2011. For this accounting change, the Company believes the adoption in fiscal 2011 will not have an impact on the Company's operating segments.

U.S. Dollar Amounts

The Company prepares its consolidated financial statements in New Taiwan dollars. A translation of the 2010 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$29.14 to US$1.00 as of December 30, 2010. 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.

Reclassifications

Certain accounts in the consolidated financial statements as of December 31, 2009 and for the years ended December 31, 2008 and 2009 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2010.

3. ACCOUNTING CHANGE

Adoption of New and Revised Standards

Effective January 1, 2009, the Company adopted the newly revised ROC SFAS No. 10, "Accounting for Inventories ("ROC SFAS No.10"). The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as cost of revenues in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of revenues for the period. The adoption of ROC SFAS No.10 did not have a material impact on the Company's consolidated financial statements as of and for the year ended December 31, 2009. For the comparison purpose, the Company also reclassified non-operating losses of NT$554,106 thousand to cost of revenues for the year ended December 31, 2008.

Starting 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 adoption of this Interpretation resulted in a decrease in net income attributable to shareholders of the parent and basic earnings per share of NT$675,111 thousand and NT$0.11, respectively, for the year ended December 31, 2008. For purposes of the consolidated statements of cash flows, such bonuses represent appropriations of the earnings from prior years and have been classified as financing activities for the year ended December 31, 2008. Starting from 2009, such bonuses are classified as operating activities for purposes of the consolidated statements of cash flows when paid.

Also, starting January 1, 2008, the Company adopted ROC SFAS No. 39, "Share-based Payment", which requires companies to record share-based payment transactions in the financial statements at fair value.

4. CASH AND CASH EQUIVALENTS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Cash on hand	4,441	8,474	291
Checking and saving accounts	15,845,797	14,790,560	507,569
Time deposits	5,738,307	8,598,523	295,076
Repurchase agreements collateralized by government bonds	968,949	-	-
	22,557,494	23,397,557	802,936

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Financial assets for trading - current			
Open-end mutual funds	974,702	590,168	20,253
Financial notes	-	288,486	9,900
Swap contracts	17,605	173,389	5,950
Quoted stocks	-	94,661	3,248
Forward exchange contracts	24,648	48,569	1,667
European foreign currency option contracts	7,756	-	-
	1,024,711	1,195,273	41,018
Financial liabilities for trading - current			
Swap contracts	50,468	394,747	13,547
Cross currency swap contracts	-	80,314	2,756
Forward exchange contracts	24,062	13,757	472
	74,530	488,818	16,775

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 is as follows:

a. Swap contracts

The outstanding swap contracts of the Company as of December 31, 2009 and 2010 were as follows:

Currency	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2009		
NT$/US$	2010.01.06-2010.01.20	NT$6,258,897/US$194,000
US$/NT$	2010.01.07-2010.03.15	US$85,500/NT$2,755,120
December 31, 2010		
NT$/US$	2011.01.03-2011.12.23	NT$10,888,924/US$363,000
US$/NT$	2011.01.03-2011.02.24	US$151,143/NT$4,545,445
US$/JPY	2011.12.13-2011.12.27	US$49,264/JPY4,100,000

b. Forward exchange contracts

The outstanding forward exchange contracts of the Company as of December 31, 2009 and 2010 were as follows:

Currency	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2009		
US$/JPY	2010.01.12	US$5,500/JPY485,558
US$/NT$	2010.01.07-2010.03.22	US$129,000/NT$4,154,707
US$/MYR	2010.01.29-2010.05.27	US$7,500/MYR25,595
NT$/US$	2010.01.06-2010.01.15	NT$3,209,480/US$100,000
US$/CNY	2010.04.20-2010.04.22	US$20,000/CNY135,829
December 31, 2010		
US$/JPY	2011.01.06-2011.01.27	US$23,550/JPY1,958,459
US$/NT$	2011.01.05-2011.01.14	US$58,250/NT$1,715,329
US$/MYR	2011.01.27-2011.03.28	US$13,000/MYR40,706
NT$/US$	2011.01.18-2011.01.20	NT$714,996/US$24,000
US$/CNY	2011.01.11-2011.01.28	US$13,000/CNY86,490
US$/SGD	2011.01.07-2011.01.25	US$4,300/SGD5,633
US$/EUR	2011.01.07	US$1,325/EUR1,000
EUR/US$	2011.01.27-2011.02.28	EUR2,900/US$3,911

c. Cross currency swap contracts

As of December 31, 2010, the notional amount of the outstanding contract of ASE Inc. was NT$953,940 thousand / US$30,000 thousand. Interest receipts and payments are based on stated interest rates. The contract will mature in September 2011.

d. The outstanding European foreign currency option contracts of the Company as of December 31, 2009 were as follows:

Contract	Maturity Date	Contract Amount (In Thousands)	Strike Price	
Sell US$ Put/CNY Call	2010.04.22	US$10,000/CNY66,875	6.6875	
Sell US$ Put/CNY Call	2010.04.21	US$5,000/CNY33,447	6.6894	
Sell US$ Put/CNY Call	2010.04.22	US$5,000/CNY33,447	6.6894	
Buy US$ Call/CNY Put	2010.04.22	US$10,000/CNY66,875	6.6875	(Note)
Buy US$ Call/CNY Put	2010.04.21	US$5,000/CNY33,447	6.6894	(Note)
Buy US$ Call/CNY Put	2010.04.22	US$5,000/CNY33,447	6.6894	(Note)

Note: If the spot rate for CNY against US$ at the expiry date exceeds the specific exchange rate, there will be no settlement obligation between both parties.

For the years ended December 31, 2008, 2009 and 2010, the gain on valuation of financial assets held for trading was NT$286,914 thousand, NT$934,938 thousand and NT$1,169,434 thousand (US$40,132 thousand), respectively; the loss on valuation of financial liabilities held for trading was NT$732,204 thousand, NT$645,774 thousand and NT$1,092,316 thousand (US$37,485 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Open-end mutual funds	3,770,000	310,016	10,639
Private-placement shares	-	112,080	3,846
Quoted stocks	21,033	47,595	1,634
Corporate bonds	200,000	-	-
Adjustment of valuations	4,491	178,829	6,137
	3,995,524	648,520	22,256
Current portion	(3,995,524)	(338,094)	(11,603)
Noncurrent portion	-	310,426	10,653

For the year ended December 31, 2008, the other-than-temporary loss on impairment of available-for-sale financial assets was NT$149,954 thousand; all the impaired available-for-sale financial assets were disposed of during the year ended December 31, 2009. The other-than-temporary loss on impairment of available-for-sale financial assets was nil and NT$2,680 thousand (US$91 thousand) for the years ended December 31, 2009 and 2010, respectively.

The shares of Advanced Microelectronic Products, Inc. held by the Company are private-placement shares, on which there is a legally enforceable restriction that prevents their trading for a specified period. As of December 31, 2009, the Company could not reliably measure fair value of the shares, so they were measured at cost. Subsequently, the Company could reliably measure the effects of restriction, which were consistent with those of other market participants, so the abovementioned shares previously classified as financial assets carried at cost were transferred to available-for-sale financial assets - noncurrent, resulting in an unrealized loss of NT$9,290 thousand (US$319 thousand) for the year ended December 31, 2010.

7. ACCOUNTS RECEIVABLE

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Accounts receivable	18,024,943	33,174,537	1,138,454
Allowance for doubtful accounts	(68,705)	(134,002)	(4,599)
Allowance for sales returns and discounts	(144,697)	(170,087)	(5,837)
	17,811,541	32,870,448	1,128,018

In June 2010, ASE Inc. entered into an accounts receivable factoring agreement without recourse with Citi Taiwan Limited. The revolving facility is US$108,000 thousand. Total accounts receivable sold and derecognized were NT$2,028,208 thousand (US$69,602 thousand) and US$57,887 thousand for the year ended December 31, 2010. The collections from these accounts receivable sold for the year ended December 31, 2010 amounted to NT$1,621,146 thousand (US$55,633 thousand) and US$29,447 thousand, respectively. As of December 31, 2010, advances received were NT$407,062 thousand (US$13,969 thousand) and US$28,440 thousand with an annual interest rate of 1.35% and 1.01%, respectively.

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 bank. As of December 31, 2010, the Company has issued a promissory note of US$28,000 thousand as collateral.

8. INVENTORIES

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Finished goods	624,334	2,530,432	86,837
Work in process	833,091	1,743,018	59,815
Raw materials	2,911,720	7,548,133	259,030
Supplies	400,315	509,789	17,495
Materials and supplies in transit	185,767	839,407	28,806
	4,955,227	13,170,779	451,983

The cost of inventories sold recognized as cost of revenues for the years ended December 31, 2008, 2009 and 2010 was NT$72,347,729 thousand, NT$67,433,644 thousand and NT$146,829,805 thousand (US$5,038,772 thousand), respectively, which included NT$510,038 thousand, NT$191,904 thousand and NT$340,268 thousand (US$11,677 thousand), respectively, due to write-downs of inventories.

9. INVENTORIES RELATED TO CONSTRUCTION BUSINESS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Buildings and land held for sale	-	583,761	20,033
Construction in progress related to construction business	7,251,193	9,541,609	327,440
	7,251,193	10,125,370	347,473

A portion of the construction in progress related to the project in Shanghai Zhangjiang was completed and sold in 2010 and the profit recognized for the year was NT$1,037,318 thousand (US$35,598 thousand). The remaining projects are expected to be completed before the end of 2012. The capitalized interest expense for the years ended December 31, 2008, 2009 and 2010 is presented in Note 13.

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Unquoted common shares			
Universal Venture Capital Investment Corp.	-	70,846	2,431
Global Strategic Investment Inc.	64,060	58,280	2,000
H&HH Venture Investment Corporation	73,921	59,137	2,029
Solid Gain Investments Limited	-	53,869	1,849
Asia Global Venture Co., Ltd.	-	28,352	973
UC Fund II	22,421	17,484	600
Allied Circuit Co., Ltd	-	11,843	407
Other	7	6	-
Unquoted preferred shares			
Sequans Communications SA	-	41,143	1,412
H.R. Silvine – CMC Company Ltd.	-	33,204	1,139
ID Solutions, Inc.	19,616	17,951	616
Techgains Corporation	-	16,018	550
Techgains International Corporation	-	12,216	419
Limited Partnership			
Ripley Cable Holdings I, L.P.	297,881	304,248	10,441
Crimson Velocity Fund, L.P.	81,217	66,691	2,289
H&QAP Greater China Growth Fund, L.P.	38,436	52,452	1,800
Private-placement shares			
Advanced Microelectronic Products, Inc. (Note 6)	94,500	-	-
	692,059	843,740	28,955

There is no quoted price from an active market for these investments and fair value is 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.

For the year ended December 31, 2008, the loss on impairment of financial assets carried at cost was NT$21,395 thousand. The loss on impairment of financial assets carried at cost was nil for the years ended December 31, 2009 and 2010.

11. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

In October 2009, the Company purchased 3-year unsecured convertible corporate bonds with a coupon rate of 3.0% issued by SiPhoton, Inc. with a face value of US$3,000 thousand and warrants. The debt host contract of the investment was recorded as bond investments with no active market - noncurrent. According to the agreement, the Company has the right to require SiPhoton, Inc. to redeem the convertible bonds in whole or in part on or after 30 months from October 2009, or convert, at any time, into SiPhoton, Inc.'s common shares at the specified conversion price. The Company may also exercise the warrants to purchase additional SiPhoton, Inc.'s common shares at the conversion price.

12. EQUITY METHOD INVESTMENTS

	December 31				
	2009		2010		
	NT$	% of Owner-ship	NT$	US$ (Note 2)	% of Owner-ship
Listed companies					
Hung Ching Development & Construction Co. ("HCDC")	936,370	26.2	1,106,338	37,966	26.2
USI	3,295,598	18.1	-	-	-
Unlisted companies					
Hung Ching Kwan Co. ("HCKC")	326,609	27.3	332,224	11,401	27.3
StarChips Technology Inc. ("SCT")	82,010	33.3	61,824	2,122	33.3
USISH	31,403	0.5	-	-	-
	4,671,990		1,500,386	51,489	
Deferred gain on transfer of land	(300,149)		(300,149)	(10,300)	
Accumulated impairment	-		(41,739)	(1,433)	
	4,371,841		1,158,498	39,756	

Market values of the listed equity method investments as of December 31, 2009 and 2010 were as follows:

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
HCDC	1,221,610	1,314,260	45,102
USI (delisted in June 2010)	3,897,473	-	-
	5,119,083	1,314,260	45,102

As of December 31, 2009 and 2010, the Company had made an accumulated investment in HCDC of NT$2,845,913 thousand (US$97,663 thousand). HCDC is engaged in the development and management of commercial, residential and industrial real estate properties in the ROC.

The Company acquired HCKC in 1992 by transferring a parcel of land valued at NT$390,470 thousand to HCKC. The resulting gain of NT$300,149 thousand, which represents the excess of such value over the cost of the land plus land value increment tax, has been deferred until the disposal of this investment. HCKC is engaged in the management of commercial real estate properties.

As of December 31, 2010, total investments in SCT were NT$84,000 thousand (US$2,883 thousand). SCT is engaged in the designing, manufacturing and sale of LED driver ICs. The Company recognized an impairment loss of NT$41,739 thousand (US$1,433 thousand) in the year ended December 31, 2010.

The movements of the differences between the cost of investments and the Company's shares in investees' net assets allocated to non-amortizable assets, amortizable assets and goodwill were as follows:

	Non-amortizable Assets	Amortizable Assets	Goodwill
	NT$	NT$	NT$
Balance at January 1, 2009	(300,149)	-	371,436
Addition	-	-	45,001
Balance at December 31, 2009	(300,149)	-	416,437
Reclassification	-	16,185	(16,185)
Reduction	-	-	(371,436)
Amortization	-	(3,262)	-
Impairment loss	-	(12,923)	(28,816)
Balance at December 31, 2010	(300,149)	-	-

	Non-amortizable Assets	Amortizable Assets	Goodwill
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
Balance at January 1, 2010	(100,300)	-	14,291
Reclassification	-	556	(556)
Reduction	-	-	(12,746)
Amortization	-	(112)	-
Impairment loss	-	(444)	(989)
Balance at December 31, 2010	(100,300)	-	-

The reduction of goodwill in 2010 was due to the USI Acquisition.

The Company recorded equity in earnings of equity method investments of NT$77,450 thousand, NT$330,117 thousand and NT$72,980 thousand (US$2,504 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Buildings and improvements	13,687,777	16,742,731	574,562
Machinery and equipment	92,304,040	101,247,714	3,474,527
Transportation equipment	123,734	159,513	5,474
Furniture and fixtures	2,822,938	3,946,121	135,419
Leased assets and leasehold improvements	292,773	341,161	11,708
	109,231,262	122,437,240	4,201,690

For the years ended December 31, 2008 and 2010, the loss on impairment of property, plant and equipment was NT$87,375 thousand and NT$169,860 thousand (US$5,829 thousand), respectively. For the year ended December 31, 2009, the loss on impairment of property, plant and equipment was nil.

Information about capitalized interest expense was as follows:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Total interest expense including capitalized interest	1,990,097	1,681,192	1,682,838	57,750
Less: Capitalized interest				
Included in inventories related to construction business	(42,666)	(111,855)	(196,669)	(6,749)
Included in property, plant and equipment	(134,135)	(61,314)	(100,158)	(3,437)
Interest expense	1,813,296	1,508,023	1,386,011	47,564
Capitalization rate				
Inventories related to construction business	7.47%-7.56%	4.78%-5.70%	4.78%-5.31%	
Property, plant and equipment	2.16%-6.48%	1.10%-4.80%	0.71%-3.65%	

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 Other
	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2009	9,456,091	1,438,351	130,373	626,362	867,079
Additions - purchase	-	-	1,020	-	-
Amortization	-	(29,230)	(28,584)	(141,818)	(83,240)
Reclassified from assets leased to others	-	10,254	-	-	-
Translation adjustment	(37,086)	(34,231)	(1,093)	-	-
Balance at December 31, 2009	9,419,005	1,385,144	101,716	484,544	783,839
Additions					
Purchase	-	231,813	-	-	-
From newly acquired subsidiaries	1,142,250	587,341	820,707	-	1,068,238
Amortization	-	(33,715)	(198,667)	(141,818)	(302,851)
Reclassified from assets leased to others	-	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

			Other Intangible Assets		
	Goodwill	Land Use Rights	Patents	Acquired Special Technology	Customer Relationship and Other
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
Balance at January 1, 2010	323,233	47,534	3,491	16,628	26,899
Additions					
Purchase	-	7,955	-	-	-
From newly acquired subsidiaries	39,199	20,156	28,164	-	36,659
Amortization	-	(1,157)	(6,818)	(4,867)	(10,393)
Reclassified from assets leased to others	-	3,853	-	-	-
Translation adjustment	(5,259)	(3,739)	(63)	-	-
Balance at December 31, 2010	357,173	74,602	24,774	11,761	53,165

The intangible assets arising from newly acquired subsidiaries in 2010 were mainly related to the USI Acquisition. The acquired patent arising from 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 other 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. ASSETS LEASED TO OTHERS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Cost			
Land	1,280	1,164	40
Buildings and improvements	560,501	10,418	357
Machinery and equipment	51,587	129,442	4,442
Transportation equipment	4,362	-	-
Land use rights	120,432	-	-
	738,162	141,024	4,839
Accumulated depreciation/amortization			
Buildings and improvements	91,229	3,907	134
Machinery and equipment	50,442	116,228	3,989
Transportation equipment	1,550	-	-
Land use rights	8,874	-	-
	152,095	120,135	4,123
	586,067	20,889	716

The assets leased to others as of December 31, 2009 were mainly buildings and improvements and land use rights leased to USISH. For the years ended December 31, 2008, 2009 and 2010, the rental revenue was NT$114,131 thousand, NT$131,712 thousand and NT$44,246 thousand (US$1,518 thousand), respectively.

The rental for buildings and improvements was determined based on prevailing market price, while the rentals for machinery and equipment and land use rights were negotiated by both parties.

As discussed in Note 2, USISH has been included in the consolidated financial statements since February 2010. The related assets leased to USISH were reclassified to property, plant and equipment and intangible assets – land use rights accordingly.

16. IDLE ASSETS

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Cost			
Land	34,216	232,681	7,985
Buildings and improvements	259,901	1,490,763	51,159
Machinery and equipment	906,265	551,294	18,919
Other	9,308	19,353	664
	1,209,690	2,294,091	78,727
Accumulated depreciation	(422,031)	(816,254)	(28,011)
Accumulated impairment	(367,878)	(228,790)	(7,852)
	419,781	1,249,047	42,864

Idle assets included ASE Electronics' Flip-chip production line and USI's Nankuan plant. The Company recognized an impairment loss of NT$34,595 thousand, NT$11,117 thousand, and NT$37,123 thousand (US$1,274 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

17. SHORT-TERM BORROWINGS

Short-term borrowings represented revolving bank loans with annual interest rates of 0.86%-5.83% and 0.72%- 5.90% as of December 31, 2009 and 2010, respectively.

18. ACCRUED EXPENSES

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Accrued salaries and bonus	1,429,594	2,515,826	86,336
Accrued employee bonus and compensation to directors and supervisors	760,824	2,248,099	77,148
Accrued maintenance expenses	348,914	356,102	12,220
Accrued utilities expenses	227,423	296,314	10,169
Accrued employee insurance expenses	167,930	260,192	8,929
Accrued professional service fees	132,035	240,453	8,252
Other	1,279,308	1,926,671	66,118
	4,346,028	7,843,657	269,172

19. LONG-TERM BANK LOANS

Long-term bank loans consisted of the following:

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Loans for specified purposes	23,440,634	18,529,844	635,890
Working capital bank loans	26,535,748	36,919,357	1,266,965
Mortgage loans	23,520	-	-
	49,999,902	55,449,201	1,902,855
Current portion	(923,284)	(2,990,176)	(102,614)
	49,076,618	52,459,025	1,800,241
Unamortized arrangement fee	(86,101)	(95,307)	(3,271)
	48,990,517	52,363,718	1,796,970

a. Loans for specified purposes

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Syndicated bank loan (Led by Citi bank)			
Repayable through March 2013 in semi-annual installments - annual interest rate was 1.97% and 1.96% as of December 31, 2009 and 2010, respectively	16,362,500	12,687,500	435,398
US$200,000 thousand, repayable at maturity in May 2011 - annual interest rate was 1.09% and 1.02% as of December 31, 2009 and 2010, respectively	6,406,000	5,828,000	200,000
Others - annual interest rate was 1.35%-1.78% and 1.75% as of December 31, 2009 and 2010, respectively	672,134	14,344	492
	23,440,634	18,529,844	635,890

The above syndicated bank loans led by Citi bank were restricted for use in the ASE Test Acquisition in 2008. Pursuant to the loan agreements, ASE Inc. should hold no less than 51%, directly or indirectly, of ASE Test’s equity and maintain control over ASE Test at all time.

b. Working capital bank loans

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Syndicated bank loans - due from March 2011 to June 2015 - annual interest rate was 1.13%-2.02% and 0.95%-1.56% as of December 31, 2009 and 2010, respectively			
ASE Inc.	5,500,000	16,539,800	567,598

(Continued)

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
ASESH AT	4,708,410	4,283,580	147,000
ASE Shanghai	762,314	-	-
Other bank loans - due from January 2011 to September 2014 - annual interest rate was 0.78%-2.73% and 0.70%-4.40% as of December 31, 2009 and 2010, respectively			
ASE Inc.	13,943,900	12,243,040	420,145
ASE Shanghai	1,281,200	1,748,400	60,000
USI	-	1,384,375	47,508
Others	339,924	720,162	24,714
	26,535,748	36,919,357	1,266,965

(Concluded)

c. Mortgage loans

The mortgage loans as of December 31, 2009 was repaid in March 2010. The annual interest rate was 1.31% as of December 31, 2009.

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, the Company was in compliance with all of the loan covenants.

As of December 31, 2009 and 2010, loans of NT$6,298,520 thousand and NT$14,331,571 thousand (US$491,818 thousand), respectively, would mature within one year. However, because the Company had obtained new long term credit lines to refinance the loans on a long-term basis before December 31, 2009 and 2010, such loans were not classified as current portion of long-term bank loans.

As of December 31, 2010, the future maturities of long-term bank loans were as follows:

	Amount	
	NT$	US$ (Note 2)
Within one year	17,321,747	594,432
During the second year	25,300,023	868,223
During the third year	9,120,641	312,994
During the fourth year	3,058,247	104,950
During the fifth year and thereafter	648,543	22,256
	55,449,201	1,902,855

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

	December 31	
	2009	2010
New Taiwan dollars	NT$31,666,020	NT$36,851,875
U.S. dollars	US$ 572,397	US$ 638,206

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. Subsidiaries in USA have defined contribution savings plan ("401k plan") for eligible employees. This plan permits employees to make contributions up to the maximum limits allowable under the U.S. Internal Revenue Code Section 401(k). Also, ASE Malaysia and subsidiaries in Singapore have defined contribution pension plans.

c. According to local regulations, the subsidiaries in China and USI Mexico make contributions to local governments based on each employee's average wage at specific rates.

Under defined contribution plans, the Company recognized pension costs of NT$508,651 thousand, NT$450,466 thousand and NT$649,616 thousand (US$22,293 thousand) for the years ended December 31, 2008, 2009 and 2010, 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, 2009 and 2010, 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 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$74,154 thousand, NT$22,474 thousand and NT44,844 thousand (US$1,539 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively. Pension payments were NT$15,966 thousand in 2009 and NT$2,666 thousand (US$91 thousand) in 2010. As of December 31, 2009 and 2010, accrued pension cost was NT$161,613 thousand and NT$203,791 thousand (US$6,994 thousand), respectively.

Information about defined benefit pension plans was summarized as follows:

a. Pension costs for these entities consist of:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Service cost	333,538	369,833	371,242	12,740
Interest	107,726	106,430	124,386	4,268
Projected return on plan assets	(46,788)	(35,621)	(29,836)	(1,024)
Amortization	20,674	61,487	52,828	1,813
Curtailment gain	(8,746)	(19,787)	-	-
	406,404	482,342	518,620	17,797

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

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Benefit obligation			
Vested benefit obligation	2,559,381	2,824,794	96,939
Non-vested benefit obligation	1,932,697	2,453,188	84,186
Accumulated benefit obligation	4,492,078	5,277,982	181,125
Additional benefit based on future salaries	1,278,068	1,598,372	54,852
Projected benefit obligation	5,770,146	6,876,354	235,977
Fair value of plan assets	(2,097,594)	(2,366,254)	(81,203)
Funded status	3,672,552	4,510,100	154,774
Unrecognized net transition obligation	(57,761)	(54,014)	(1,854)
Unrecognized prior service cost	(10,891)	(10,165)	(349)
Unrecognized net actuarial loss	(1,340,574)	(1,849,887)	(63,483)
Additional pension liability	311,742	458,072	15,720
Recorded under accrued expenses	(8,316)	(10,517)	(361)
Prepaid pension cost	1,479	3,059	105
Accrued pension cost	2,568,231	3,046,648	104,552
c. Vested benefit	2,619,611	2,915,762	100,060

	December 31	
	2009	2010
d. Actuarial assumptions used:		
Discount rate	2.25%-4.92%	1.75%-5.00%
Increase in future salary level	2.50%-5.00%	2.00%-5.00%
Expected rate of return on plan assets	1.50%-2.50%	2.00%-2.50%

	Year Ended December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
e. Contributions to the funds	194,889	316,813	10,872
f. Payments from the funds	220,541	57,826	1,984

g. The Company expects to make contributions of NT$312,607 thousand (US$10,728 thousand) to its defined benefit pension plans in 2011.

h. Expected benefit payments:

	Amount	
Year of Payments	NT$	US$ (Note 2)
2011	224,252	7,696
2012	227,918	7,821
2013	269,105	9,235
2014	266,288	9,138
2015	306,925	10,533
2016 and thereafter	1,960,578	67,282

Plan assets and obligations reflected herein were measured as of December 31, 2009 and 2010.

21. SHAREHOLDERS' EQUITY

Common Stock

The Company reserved common stock of NT$8,000,000 thousand, representing 800,000 thousand shares, for employee stock option plans. For the years ended December 31, 2008, 2009 and 2010, employees exercised options and paid NT$240,770 thousand (16,019 thousand shares), NT$238,789 thousand (16,061 thousand shares) and NT$499,404 thousand (28,563 thousand shares), of which NT$135,205 thousand (8,951 thousand shares) and NT$299,698 thousand (14,902 thousand shares) were recorded as "capital received in advance" as of December 31, 2009 and 2010, respectively.

Long-term bonds payable converted to common stock in 2008 amounted to NT$265,834 thousand. For the year ended December 31, 2009, the Company made capital reductions in the amount of NT$2,179,740 thousand (217,974 thousand shares) through the retirement of treasury stock. In addition, the shareholders' meetings held in June 2008 and June 2010 resolved to distribute stock dividends out of capital surplus and retained earnings, in the amount of NT$1,970,867 thousand (197,087 thousand shares) and NT$5,494,970 thousand (549,497 thousand shares), respectively. 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, 2009 and 2010, 46,256 thousand and 53,110 thousand ADS were outstanding and represented approximately 231,280 thousand and 265,552 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, treasury stock transactions and reversed interest of convertible bonds may be transferred to capital, subject to a limited equal to a specified percentage of paid-in capital.

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, 2009 and 2010, the bonus to employees of ASE Inc. was NT$607,009 thousand and NT$1,523,133 thousand (US$52,269 thousand), respectively, and the compensation to directors and supervisors of ASE Inc. was NT$121,402 thousand and NT$304,627 thousand (US$10,454 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, net loss not recognized as pension cost and cumulative transaction adjustments) 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.

Under the ROC Company Law, the appropriation for legal reserve shall be made until the reserve reaches the paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of paid-in capital. Also, when the reserve has reached 50% of paid-in capital, up to 50% thereof may be transferred to capital stock if the Company doesn't have a deficit.

The appropriation of 2008 and 2009 earnings resolved at the Company's annual shareholders' meetings and the appropriation of 2010 earnings proposed by the Company's directors and to be resolved by the Company's annual shareholders' meeting is as follows:

	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Legal reserve	616,005	674,455	1,833,750	62,929
Special reserve	-	-	1,272,417	43,666
Stock dividends – nil, NT$0.84 and NT$1.15 in 2008, 2009 and 2010, respectively	-	4,615,775	6,957,357	238,756
Cash dividends - NT$0.50, NT$0.36 and NT$0.65 in 2008, 2009 and 2010, respectively	2,736,568	1,978,190	3,932,419	134,949
	3,352,573	7,268,420	13,995,943	480,300

Aside from the 2008 and 2009 earnings appropriations listed above, the shareholders also resolved to distribute the bonus to employees and compensation to directors and supervisors in cash. Aside from the 2010 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:

	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Bonus to employees	554,404	607,009	1,523,133	52,269
Compensation to directors and supervisors	88,800	120,000	304,200	10,439

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, 2008 and 2009 were primarily due to changes in estimates. The differences were NT$22,082 thousand and NT$1,402 thousand and had been adjusted in earnings for the years ended December 31, 2009, and 2010, 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, 2009 and 2010 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, 2009	-	(47,743)	(391,695)	(439,438)	(15,080)
Recognized directly in shareholders' equity	58	380,464	(165,552)	214,970	7,377
Removed from shareholders' equity and recognized in earnings	(58)	-	250,024	249,966	8,578
Balance at December 31, 2009	-	332,721	(307,223)	25,498	875
Recognized directly in shareholders' equity	(9,117)	124,744	(169,399)	(53,772)	(1,845)
Removed from shareholders' equity and recognized in earnings	(173)	-	274,750	274,577	9,422
Balance at December 31, 2010	(9,290)	457,465	(201,872)	246,303	8,452

Treasury Stock (Shares in Thousands)

	Beginning Shares	Addition	Retirement/ Decrease	Ending Shares
Year ended December 31, 2009				
Parent company shares held by subsidiaries	322,532	-	-	322,532
Repurchase under share buyback plan	108,700	109,274	217,974	-
	431,232	109,274	217,974	322,532
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

ASE Inc's board of directors held meetings in November 2008 and January 2009 and approved share buyback plans to repurchase ASE Inc's common shares listed on the TSE. ASE Inc. had repurchased 217,974 thousand common shares. All the treasury shares repurchased under the above-mentioned share buyback plans were retired in 2009.

ASE Inc's board of directors also approved a share buyback plan to repurchase ASE Inc's common shares listed on the TSE in November 2010. ASE Inc. had repurchased 37,000 thousand common shares, which were retired in January 2011.

As of December 31, 2009 and 2010, information regarding treasury stock held by subsidiaries was as follows:

Subsidiary	Shares Held By Subsidiaries	Book Value NT$	Market Value NT$
December 31, 2009			
ASE Test	204,907	4,483,761	5,911,575
J&R Holding	109,771	1,254,053	3,166,877
ASE Test, Inc.	7,854	196,677	226,595
	322,532	5,934,491	9,305,047
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

Subsidiary	Book Value US$ (Note 2)	Market Value US$ (Note 2)
December 31, 2010		
ASE Test	47,382	80,382
J&R Holding	13,099	42,564
ASE Test, Inc.	6,749	10,006
	67,230	132,952

ASE Inc. issued common shares in connection with its merger with ASE Chung Li and ASE Material in August 2004. The shares held by its subsidiaries were reclassified from equity method investments to treasury stock.

In addition, as discussed in Note 2, 218,167 thousand shares of ASE Inc. held by subsidiaries were used as the consideration of NT$5,246,916 thousand (US$180,059 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 (US$43,635 thousand), was recorded under capital surplus – treasury stock transactions. Stock dividends received in 2008, 2009 and 2010 by the subsidiaries from ASE Inc. were 9,068 thousand shares, nil and 10,427 thousand shares, respectively.

Although these shares are treated as treasury stock in the consolidated financial statements, the shareholders are entitled to exercise their rights on these shares, except for participation in capital increases through cash contributions and exercise of voting rights.

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 for 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, 2008, 2009 and 2010 was as follows:

	Year Ended December 31					
	2008		2009		2010	
	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$)
Beginning outstanding balance	295,748	24.5	271,838	25.0	246,566	25.6
Options granted	-	-	-	-	187,720	28.6
Options forfeited	(7,891)	26.9	(9,211)	26.7	(8,096)	27.2
Options exercised	(16,019)	15.0	(16,061)	14.9	(28,563)	17.5
Ending outstanding balance	271,838	25.0	246,566	25.6	397,627	24.9
Ending exercisable balance	78,141	15.8	140,003	22.7	144,815	22.7
Grant date fair value of the options granted during the year (NT$)	-		-		6.2-6.3	

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, 2008, 2009 and 2010 was NT$22.49, NT$20.47 and NT$27.22 (US$0.93), respectively.

Information regarding outstanding and exercisable stock options as of December 31, 2010 was as follows:

	Outstanding			Exercisable		
Range of Exercise Price (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)	Remaining Contractual Life (Years)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)	Remaining Contractual Life (Years)
8.5	9,336	8.5	2.0	9,295	8.5	2.0
12.1-17.2	42,184	16.3	3.5	41,810	16.3	3.5
26.0-26.9	346,107	26.4	8.2	93,710	26.9	7.0
	397,627	24.9		144,815	22.7	

As of December 31, 2010, the number of options that were expected to vest was 215,801 thousand.

As of December 31, 2010, the aggregate intrinsic value of outstanding and exercisable stock options was NT$3,508,843 thousand (US$120,413 thousand) and NT$1,604,536 thousand (US$55,063 thousand), respectively.

Total intrinsic value of options exercised for the years ended December 31, 2008, 2009 and 2010 was NT$183,166 thousand, NT$160,669 thousand and NT$300,776 thousand (US$10,322 thousand), respectively.

ASE Test Option Plans

As of May 30, 2008, all of ASE Test stock options that had a per share exercise price lower than the per share acquisition price of US$14.78 had been exercised. The ASE Test ordinary shares issued upon exercise of the options were acquired by ASE Inc. for US$14.78 per ASE Test NASDAQ Share in cash. Each ASE Test option that had a per share exercise price equal to or higher than the per share acquisition price was cancelled without any payment.

The beginning outstanding options were 368 thousand units and were fully exercised for the year ended December 31, 2008, while the weighted average exercise price per unit was US$7.31.

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, 2008, 2009 and 2010 was as follows:

	Year Ended December 31					
	2008		2009		2010	
	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$)
Beginning outstanding balance	30,000	1.7	29,620	1.7	29,420	1.7
Options granted	-	-	-	-	-	-
Options forfeited	(380)	1.7	(200)	1.7	(300)	1.7
Ending outstanding balance	29,620	1.7	29,420	1.7	29,120	1.7
Ending exercisable balance	-	-	11,236	1.7	17,672	1.7
Grant date fair value of the options granted during the year (US$)	-		-		-	

As of December 31, 2009 and 2010, the remaining contractual life is eight years and seven years, respectively. As of December 31, 2010, the number of options that were expected to vest was 11,008 thousand.

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.

The weighted average stock price at the date of exercise for stock options exercised for the year ended December 31, 2010 was NT$20.26 (US$0.70).

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

	Year Ended December 31, 2010	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)
Beginning outstanding balance	27,899	15.0
Options exercised	(2,846)	13.6
Options forfeited	(25,053)	15.2
Ending outstanding balance	-	-
Ending exercisable balance	-	-

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 (US$4,753 thousand) was recognized for the year ended December 31, 2010.

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 was as follows:

	Year Ended December 31, 2010	
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)
Beginning outstanding balance	18,722	1.5
Options granted	8,800	2.4
Options forfeited	(653)	1.5
Ending outstanding balance	26,869	1.8
Ending exercisable balance	10,900	1.5
Grant date fair value of the options granted during the year (US$)	0.88-1.06	

Information regarding outstanding and exercisable stock options as of December 31, 2010 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)**
1.5-2.4	26,869	1.8	7.7	10,900	1.5	7.0

As of December 31, 2010, the number of options that were expected to vest was 14,604 thousand.

For those options granted before December 31, 2007, no compensation cost was recognized under the intrinsic value method for the years ended December 31, 2008, 2009 and 2010.

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, 2008, 2009 and 2010 would have been as follows:

Assumptions:

	ASE Inc.	ASE Test	ASE Mauritius Inc.	USI	USIE
Expected dividend yield	3.00%	-	-	7.0%-11.5%	-
Expected volatility	46.0%-59.0%	59.95%-62.03%	47.21%	42.0%-44.0%	39.0%
Risk free interest rate	1.80%-2.51%	4.88%	4.17%	2.49%-3.12%	4.28%
Expected life	5.0-6.5 years	3-5 years	6.5 years	6.525 years	6.525 years

	Year Ended December 31			
	2008	**2009**	**2010**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Net income attributable to shareholders of the parent	5,436,867	6,127,405	17,804,442	610,997
Basic earnings per share	0.92	1.08	3.01	0.10

In addition, options granted by ASE Inc. and USIE during the year ended December 31, 2010 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$28.6	US$2.49
Exercise price	NT$28.6	US$2.42
Expected volatility	28.59%	35.63%
Expected life	10 years	10 years
Expected dividend yield	4.00%	-
Risk - free interest rate	1.8087%	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 comparable peer group companies, 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 times the exercise price.

For the year ended December 31, 2010, termination of employment resulted in forfeiture of stock options of ASE Inc. and USIE granted during the year ended December 31, 2010 were 2,099 thousand units and 0 units, respectively. As of December 31, 2010, the estimated percentage of forfeiture due to termination of employment over the remaining vesting period of ASE Inc. and USIE was 4.0% and 2.0%, respectively.

Compensation cost recognized by the Company for the options granted after January 1, 2008 was nil for the years ended December 31, 2008 and 2009 and NT$319,147 thousand (US$10,952 thousand) for the year ended December 31, 2010.

23. PERSONNEL EXPENDITURE, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2008			Year Ended December 31, 2009		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Personnel						
Salary	11,578,736	4,862,392	16,441,128	10,353,640	4,449,980	14,803,620
Pension cost	688,237	309,718	997,955	716,876	264,652	981,528
Labor and health insurance	861,532	306,506	1,168,038	786,049	304,170	1,090,219
Others	1,194,641	353,482	1,548,123	1,071,270	312,026	1,383,296
	14,323,146	5,832,098	20,155,244	12,927,835	5,330,828	18,258,663
Depreciation	15,360,782	972,733	16,333,515	15,800,086	975,843	16,775,929
Amortization	440,024	471,313	911,337	410,522	451,631	862,153

	Year Ended December 31, 2010			
	Cost of Revenues	Operating Expenses	Total	
	NT$	NT$	NT$	US$ (Note 2)
Personnel				
Salary	16,423,462	8,453,317	24,876,779	853,699
Pension cost	826,288	386,792	1,213,080	41,629
Labor and health insurance	1,139,682	461,092	1,600,774	54,934
Others	2,060,375	832,527	2,892,902	99,276
	20,449,807	10,133,728	30,583,535	1,049,538
Depreciation	17,303,405	1,169,928	18,473,333	633,951
Amortization	764,999	616,141	1,381,140	47,397

24. 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			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Tax expense based on pre-tax income at statutory rates				
Domestic entities	2,006,503	1,799,140	2,037,332	69,915
Foreign entities	973,280	362,969	3,204,662	109,975
	2,979,783	2,162,109	5,241,994	179,890
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income	(598,361)	(654,839)	(979,020)	(33,597)
Others	23,908	271,352	118,588	4,069
Temporary differences				
Unrealized foreign exchange loss (gain)	235,882	(108,357)	(129,884)	(4,457)
Loss (gain) on valuation of financial instruments	160,271	(148,735)	60,270	2,068
Others	(155,366)	(7,835)	162,375	5,572
	2,646,117	1,513,695	4,474,323	153,545
Loss carryforwards	151,359	28,774	(61,984)	(2,127)
Income tax on undistributed earnings	176,860	284,576	-	-
Credits for investments and research and development expenditures	(1,423,852)	(599,070)	(819,712)	(28,130)
Adjustment of prior year's income tax	16,076	27,203	(19,651)	(674)
Current income tax	1,566,560	1,255,178	3,572,976	122,614
Deferred income tax	701,722	229,744	55,764	1,914
Income tax expense	2,268,282	1,484,922	3,628,740	124,528

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. In May 2009, the ROC Legislative Yuan also passed the amendment of Article 5 of the ROC Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%. Additionally, in May 2010, the ROC Legislative Yuan passed the amendment of Article 5 of the ROC Income Tax Law, which further 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		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Deferred income tax assets - current			
Unused tax credits	764,492	796,142	27,321
Provision for inventory valuation and obsolescence	49,336	83,704	2,873
Unrealized foreign exchange loss (gain)	65,351	(46,100)	(1,582)
Others	153,898	374,634	12,856
	1,033,077	1,208,380	41,468
Valuation allowance	(139,455)	(289,119)	(9,922)
	893,622	919,261	31,546
Deferred income tax assets - noncurrent			
Unused tax credits	1,275,556	1,824,803	62,622
Accrued pension cost	555,673	639,078	21,931
Loss carryforwards	365,283	548,125	18,810
Depreciation	(119,960)	(85,812)	(2,944)
Others	51,812	328,992	11,290
	2,128,364	3,255,186	111,709
Valuation allowance	(507,347)	(1,187,309)	(40,745)
	1,621,017	2,067,877	70,964
Deferred income tax liabilities - noncurrent			
Depreciation	(256,260)	(367,569)	(12,614)
Others	75,305	(4,956)	(170)
	(180,955)	(372,525)	(12,784)

The increase in the valuation allowance for 2010 was mainly due to the newly effective research and development expenditures tax deduction of the ROC Statute for Industrial Innovation and the USI Acquisition because it is more likely than not that some of the loss carryforwards and tax credits of the Company will not be realized by future taxable income. 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 September 2009 and December 2013, respectively. A portion of ASE Chung Li branch's income from manufacturing, processing and testing of semiconductors is exempt from income tax for five years ending December 2011.

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

3) Under the previous tax laws in China, those subsidiaries located in China were eligible to enjoy the five-year tax holiday (two-year tax exemption and subsequent three-year 50% reduction of applicable tax rate) starting from the first profit-making year. However, under the amended tax laws effective from January 1, 2008, manufacturing foreign-invested enterprises whose tax holidays under the prior tax laws had not started would have their tax holidays become effective starting from January 1, 2008, and those subsidiaries would be eligible for a five-year transition period in which the tax rate will be increased gradually to 25%. The tax rates applied to above subsidiaries in China for 2008, 2009 and 2010 were 18%, 20% and 22%, respectively.

   In addition, some China subsidiaries also qualify as high technology enterprises which are entitled to research and development tax credits and a reduced tax rate of 15%. However, they are currently enjoying the three-year 50% tax reduction and have not start to use the 15% tax rate.

   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 and the income arising from pioneer status activities up to August 2013 is exempt from income tax.

The per share effect of these tax holidays was NT$0.10, NT$0.12 and NT$0.17 (US$0.01) per share for the years ended December 31, 2008, 2009 and 2010, respectively.

d. As of December 31, 2010, unused tax credits, which may be utilized to offset future income tax, were set forth below:

	Amount	
Year of Expiry	**NT$**	**US$ (Note 2)**
2011	660,360	22,662
2012	547,558	18,790
2013	611,057	20,970
2014	706,276	24,237
2015 and thereafter	95,694	3,284
	2,620,945	89,943

e. Loss carryforwards as of December 31, 2010 comprised of:

	Amount	
Year of Expiry	**NT$**	**US$ (Note 2)**
2011	144,277	4,951
2014	36,476	1,252
2015	115,101	3,950
2016	27,579	946
2017	27,740	952
2018 and thereafter	196,952	6,759
	548,125	18,810

f. Income tax returns of ASE Inc. have been examined by the ROC tax authorities through 2006. ASE Inc. disagreed with the result of an examination relating to its income tax returns from 2002 to 2006 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 2009.

g. Information regarding Imputation Tax System

As of December 31, 2009 and 2010, the balance of the Imputation Credit Account ("ICA") amounted to NT$517,526 thousand and NT$430,107 thousand (US$14,760 thousand), respectively. The creditable ratio for the distribution of 2009 and 2010 earnings is 12.47% (actual) and 5.09% (estimated), respectively.

Under the Integrated Income Tax System which became effective on January 1, 1998, 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 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

25. EARNINGS PER SHARE

	Year Ended December 31							
	2008		2009		2010			
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Basic EPS (in dollar)	1.24	1.04	1.35	1.19	3.22	0.11	3.10	0.11
Diluted EPS (in dollar)	1.21	1.02	1.33	1.17	3.16	0.11	3.04	0.10

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (in dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Year ended December 31, 2008					
Basic EPS					
Income attributable to shareholders of the parent	7,341,503	6,160,052	5,931,688	1.24	1.04
Effect of dilutive potential common shares					
Bonus to employees	-	-	28,017		
Convertible bonds (Expired in September, 2008)	-	-	6,780		
Employee stock options issued by ASE Inc.	-	-	36,130		
Bonus to employees and employee stock options issued by subsidiaries	(60,592)	(60,592)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	7,280,911	6,099,460	6,002,615	1.21	1.02

(Continued)

	Amounts (Numerator)		Number of	EPS (in dollar)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	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	5,678,720	1.35	1.19
Effect of dilutive potential common shares					
Bonus to employees	-	-	29,019		
Employee stock options issued by ASE Inc.	-	-	20,137		
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	5,727,876	1.33	1.17
Year ended December 31, 2010					
Basic EPS					
Income attributable to shareholders of the parent	19,032,589	18,337,500	5,906,666	3.22	3.10
Effect of dilutive potential common stock					
Bonus to employees	-	-	36,589		
Employee stock options issued by ASE Inc.	-	-	38,519		
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	5,981,774	3.16	3.04

	Amounts (Numerator)		Number of	EPS (in dollar)	
	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, 2010					
Basic EPS					
Income attributable to shareholders of the parent	653,143	629,290	5,906,666	0.11	0.11
Effect of dilutive potential common shares					
Bonus to employees	-	-	36,589		
Employee stock options issued by ASE Inc.	-	-	38,519		
Bonus to employees and employee stock options issued by subsidiaries	(4,955)	(4,955)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	648,188	624,335	5,981,774	0.11	0.10

(Concluded)

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

The ROC ARDF issued Interpretation 96-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. 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 resolve 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 after income tax EPS for the years ended December 31, 2008 and 2009 to decrease from NT$1.14 to NT$1.04 and from NT$1.31 to NT$1.19, respectively. This adjustment caused the diluted after income tax EPS for the year ended December 31, 2008 and 2009 to decrease from NT$1.12 to NT$1.02 and from NT$1.29 to NT$1.17, respectively.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2009		2010			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Non-derivative financial instruments						
Assets						
Financial assets at fair value through profit or loss - current	974,702	974,702	973,315	33,401	973,315	33,401
Available-for-sale financial assets - current	3,995,524	3,995,524	338,094	11,603	338,094	11,603
Guarantee deposits - current	256,876	256,876	14,914	512	14,914	512
Available-for-sale financial assets - noncurrent	-	-	310,426	10,653	310,426	10,653
Financial assets carried at cost - noncurrent	692,059		843,740	28,955		
Bond investments with no active market - noncurrent	96,090	96,090	87,420	3,000	87,420	3,000
Guarantee deposits - noncurrent	50,628	50,628	78,453	2,692	78,453	2,692
Restricted assets	177,565	177,565	236,516	8,117	236,516	8,117
Liabilities						
Long-term bank loans (including current portion)	49,913,801	49,913,801	55,353,894	1,899,584	55,353,894	1,899,584
Capital lease obligations (including current portion)	15,773	15,773	39,620	1,360	39,620	1,360
Derivative financial instruments						
Assets						
Swap contracts	17,605	17,605	173,389	5,950	173,389	5,950
Cross currency swap contracts	-	-	163,670	5,617	163,670	5,617
Forward exchange contracts	24,648	24,648	48,569	1,667	48,569	1,667
European foreign currency option contracts	7,756	7,756	-	-	-	-
Liabilities						
Cross currency swap contracts	122,495	122,495	507,546	17,418	507,546	17,418
Swap contracts	50,468	50,468	394,747	13,547	394,747	13,547
Interest rate swap contract	311,778	311,778	189,541	6,504	189,541	6,504
Forward exchange contracts	24,062	24,062	13,757	472	13,757	472

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 and cash equivalents, 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 were determined using their quoted market prices in an active market. Fair values of derivatives, private-placement shares, financial notes and bond investments with no active market 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 are investments in unquoted securities, which 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 liabilities were mainly floating; therefore, their fair values approximate carrying amounts.

c. Valuation gains from changes in fair value of financial instruments determined using valuation techniques were NT$251,616 thousand, NT$361,085 thousand and NT$66,384 thousand (US$2,278 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

d. As of December 31, 2009 and 2010, financial assets exposed to fair value interest rate risk amounted to NT$21,562 thousand and NT$110,585 thousand (US$3,795 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT$103,718 thousand and NT$10,781 thousand (US$370 thousand), respectively, financial assets exposed to cash flow interest rate risk amounted to NT$17,465,721 thousand and NT$16,144,099 thousand (US$554,018 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT$61,106,915 thousand and NT$69,508,413 thousand (US$2,385,326 thousand), respectively.

e. For the years ended December 31, 2008, 2009 and 2010, interest income of NT$326,772 thousand, NT$173,870 thousand and NT$215,228 thousand (US$7,386 thousand), and interest expense (including capitalized interest) of NT$1,973,684 thousand, NT$1,680,978 thousand and NT$1,682,838 thousand (US$57,750 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 open-end mutual funds, financial notes and quoted stocks, which are subject to market risk. The fair value of these investments will decrease by NT$16,000 thousand (US$549 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 disposed of quickly at close to their fair values. The Company's bond investments with no active market and financial assets carried at cost have no active markets; therefore, liquidity risk for such assets is expected to be high.

4) Cash flow interest rate risk

The Company's loans are mainly floating interest rate debts. When the market interest rate increases by 1%, the Company's annual cash outflows will increase by NT$597,000 thousand (US$20,487 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 as of December 31, 2009 and 2010 was a loss of NT$311,778 thousand and a loss of NT$189,541 thousand (US$6,504 thousand), respectively. The outstanding interest rate swap contracts of the Company as of December 31, 2009 and 2010 were as follows:

Maturity Date	**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, 2009					
2013.03.01	NT$ 11,220,000	2.45-2.48	0.497	2008-2013	2008-2013
2013.03.01	NT$ 5,142,500	0.96-0.99	0.497	2009-2013	2009-2013
2011.05.27	US$ 200,000	1.48-1.55	0.234	2009-2011	2009-2011

(Continued)

Maturity Date	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						
2013.03.01	NT$	8,700,000	2.45-2.48	0.625	2008-2013	2008-2013
2013.03.01	NT$	3,987,500	0.96-0.99	0.625	2009-2013	2009-2013
2011.05.27	US$	200,000	1.48-1.55	0.261	2009-2011	2009-2011

(Concluded)

2) The fair value of the above cross currency swap contracts as of December 31, 2009 and 2010 was a loss of NT$122,495 thousand and a net loss of NT$263,562 thousand (US$9,045 thousand). The outstanding cross currency swap contracts of the Company as of December 31, 2009 and 2010 were as follows:

Maturity Date	Notional Amount (In Thousands)	NT Interest Rate Paid (Received) (%)	USD Interest Rate Received (%)	Expected Period for Further Cash Demand	Expected Period for the Recognition of Gains or Losses from Hedge
December 31, 2009					
2010.03.15-2010.09.28	US$130,000/ NT$4,290,950	(0.21)-0.90	0.231-0.908	2009-2010	2009-2010
December 31, 2010					
2011.03.10-2011.09.07	NT$4,338,920/ US$136,000	(0.55)-(0.22)	0.262-0.265	2010-2011	2010-2011
2011.04.28-2011.05.20	US$65,000/ NT$2,054,330	-	0.35-0.83	2010-2011	2010-2011

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. Additionally, Powerchip Technology Corporation (formally Powerchip Semiconductor Corporation) 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, 2008, 2009 and 2010, the Company had no significant transactions with related parties.

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

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Salary, incentives and other compensations	455,078	402,520	724,752	24,871
Bonus	71,453	81,806	139,910	4,801
	526,531	484,326	864,662	29,672

28. ASSETS PLEDGED OR MORTGAGED

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		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Property, plant and equipment			
Land	497,441	452,558	15,530
Buildings and improvements	1,901,477	1,770,197	60,748
Machinery and equipment	93,348	-	-
Restricted assets (including current portion)	177,565	286,307	9,825
	2,669,831	2,509,062	86,103

29. COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2010, the outstanding derivative contracts and covenants of loan agreements were discussed in other Notes.

b. 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, 2010 were as follows:

	Amount	
	NT$	US$ (Note 2)
2011	286,586	9,835
2012	116,409	3,995
2013	40,281	1,382
2014	36,489	1,252
2015 and thereafter	74,100	2,543
Total minimum lease payments	553,865	19,007

c. As of December 31, 2010, unused letters of credit of the Company were approximately NT$346,000 thousand (US$11,874 thousand).

d. As of December 31, 2010, commitments to purchase machinery and equipment of the Company were approximately NT$4,981,000 thousand (US$170,933 thousand), of which NT$837,771 thousand (US$28,750 thousand) had been prepaid.

e. As of December 31, 2010, outstanding commitments related to construction of buildings of the Company were approximately NT$3,117,000 thousand (US$106,966 thousand), of which NT$331,808 thousand (US$11,387 thousand) had been prepaid.

f. 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, 2008, 2009 and 2010 were approximately NT$199,195 thousand, NT$200,590 thousand and NT$335,756 thousand (US$11,522 thousand), respectively.

g. 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 vacated the trial schedule and stayed all proceedings pending a final resolution of the investigation of the United States International Trade Commission. The United States Patent and Trademark Office has 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. OTHER

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

	December 31	
	2009	2010
Financial Assets		
Monetary items		
USD	$ 957,101	$ 1,840,267
CNY	1,434,014	1,209,135
JPY	9,936,099	10,739,943
Nonmonetary items		
USD	7,834	21,243
Financial Liabilities		
Monetary items		
USD	1,199,265	2,026,001
CNY	1,953,611	1,278,379
JPY	4,774,095	4,703,435
Exchange rate		
USD	USD1=NTD32.03	USD1=NTD29.14
CNY	CNY1=NTD4.69	CNY1=NTD4.40
JPY	JPY1=NTD0.3473	JPY1=NTD0.3584

31. SEGMENT AND GEOGRAPHICAL INFORMATION

a. Geographical sales and long-lived assets information

1) Net revenues:

	Year Ended December 31						
	2008		2009		2010		
	NT$	%	NT$	%	NT$	US$ (Note 2)	%
America	50,082,695	53	45,109,107	52	105,507,488	3,620,710	56
Taiwan	18,681,217	20	17,815,026	21	37,214,850	1,277,105	20
Asia	12,950,935	14	12,050,672	14	25,578,735	877,788	13
Europe	12,714,009	13	10,800,509	13	20,441,724	701,500	11
Others	2,056	-	-	-	-	-	-
	94,430,912	100	85,775,314	100	188,742,797	6,477,103	100

2) Long-lived assets:

	December 31				
	2009		2010		
	NT$	%	NT$	US$ (Note 2)	%
Taiwan	42,914,804	54	55,975,749	1,920,925	56
Asia	35,686,149	45	42,884,947	1,471,687	43
America and others	762,907	1	993,216	34,084	1
	79,363,860	100	99,853,912	3,426,696	100

b. Major customers

For the years ended December 31, 2008, 2009 and 2010, the Company did not have a single customer to which the net revenues exceeded 10% of total net revenues.

c. Reported segment information

The Company had three reportable segments prior to 2010: packaging, testing, and other. Upon the acquisition of USI in February 2010, the Company has four reportable segments: packaging, testing, EMS and other. The restatement of the 2008 and 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. Segment information for the years ended December 31, 2008, 2009 and 2010 was as follows:

	Packaging NT$	Testing NT$	Other NT$	Total NT$
2008				
Revenues from external customers	73,391,622	19,021,360	2,017,930	94,430,912
Inter-segment revenues	1,227,553	71,513	10,047,595	11,346,661
Interest income	174,358	80,379	72,035	326,772
Interest expense	(1,201,699)	(62,048)	(549,549)	(1,813,296)
Net interest income (expense)	(1,027,341)	18,331	(477,514)	(1,486,524)
Depreciation and amortization	(9,706,923)	(5,799,216)	(1,738,713)	(17,244,852)
Segment profit (loss)	7,927,318	4,153,091	(521,291)	11,559,118
Segment assets	80,432,166	48,609,998	23,021,127	152,063,291
Expenditures for segment assets	9,266,015	6,323,387	1,034,303	16,623,705
Goodwill	1,392,743	7,639,685	423,663	9,456,091
2009				
Revenues 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)
Net interest income (expense)	(1,161,886)	35,153	(207,420)	(1,334,153)
Depreciation and amortization	(10,093,653)	(5,775,612)	(1,768,817)	(17,638,082)
Segment profit (loss)	6,843,029	2,738,527	(371,727)	9,209,829
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
Goodwill	1,380,415	7,614,927	423,663	9,419,005

	Packaging NT$	Testing NT$	EMS NT$	Other NT$	Total NT$
2010					
Revenues 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)
Net interest expense	(1,133,897)	(8,367)	(16,348)	(12,171)	(1,170,783)
Depreciation and amortization	(10,794,362)	(5,885,730)	(1,564,025)	(1,610,356)	(19,854,473)
Segment profit	13,293,450	6,128,631	2,202,088	2,474,837	24,099,006
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
Goodwill	1,337,488	7,866,005	780,867	423,663	10,408,023

	Packaging US$ (Note 2)	Testing US$ (Note 2)	EMS US$ (Note 2)	Other US$ (Note 2)	Total US$ (Note 2)
2010					
Revenues from external customers	3,468,473	753,500	2,044,522	210,608	6,477,103
Inter-segment revenues	165,454	12,090	1,496,710	383,201	2,057,455
Interest income	2,877	1,040	2,554	915	7,386
Interest expense	(41,790)	(1,327)	(3,115)	(1,332)	(47,564)
Net interest expense	(38,913)	(287)	(561)	(417)	(40,178)
Depreciation and amortization	(370,431)	(201,981)	(53,673)	(55,263)	(681,348)
Segment profit	456,193	210,317	75,569	84,929	827,008
Segment assets	3,501,289	1,393,738	1,500,731	746,993	7,142,751
Expenditures for segment assets	792,878	344,378	34,660	20,982	1,192,898
Goodwill	45,899	269,938	26,797	14,539	357,173

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

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

a. Pension benefits

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

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

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

Accordingly, the Company is no longer required to record the first reconciling adjustment for the year ended December 31, 2008 as mentioned above. However, the Company recorded the second reconciling adjustment to reflect the additional compensation expense recognized in 2008 for 2007 stock bonuses, which was measured at the fair value on the date of stock distribution. Starting from January 1, 2009, the only 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 and 2010, 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 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 2008 and 2010 was treated as an additional reduction to retained earnings and an increase to capital surplus of NT$687 million and NT$7,201 million (US$247 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 33d 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 recognized compensation expense of NT$319,147 thousand (US$10,952 thousand) using the graded vesting method over the requisite service period for each separately vesting portion. No stock-based compensation expense was recognized for the years ended December 31, 2008, 2009 and 2010 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 and found no impairment as of December 31, 2009 and 2010.

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. Except for the discussion in Note 12, no additional impairment charge was recognized under U.S. GAAP in 2008, 2009 and 2010. The accumulated GAAP difference was decreased by NT$1,195,000 thousand (US$41,009 thousand) as a result of the USI Acquisition in 2010. As of December 31, 2010, the accumulated GAAP difference was NT$883,620 thousand (US$ 30,323 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

Under ROC GAAP, basic earnings per share is calculated by dividing income attributable to shareholders of the parent by the weighted-average number of shares outstanding in each year, which is retroactively adjusted to the beginning of the year for stock dividends and stock bonuses issued subsequently. Starting from 2008, upon the adoption of the interpretation 97-169 issued by ROC ARDF, shares issued to employees for stock bonuses are included in the calculation of weighted-average number of shares outstanding from the date of issuance and the calculation of basic and diluted earnings per share are no longer adjusted retroactively. 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. Under U.S. GAAP, basic earnings per share is calculated by dividing net income, which represents income attributable to shareholders of the parent, by the weighted-average number of shares outstanding in each year, which is retroactively adjusted for stock dividends issued subsequently. 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 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 starting from January 1, 2006, the Company has unrecognized compensation cost, and therefore, the number of shares included in the diluted earnings per share calculation under U.S. GAAP is different from that under ROC GAAP.

o. Business combination and noncontrolling interest

Under ROC GAAP, acquisitions are accounted for using the purchase method of accounting under ROC SFAS No. 25. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets 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 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 (US$50,195 thousand) under U.S. GAAP. The acquisition information under U.S. GAAP was discussed in Note 33k.

For the USI acquisition of additional common shares of USI from the noncontrolling interest in August 2010, the Company recognized the difference of NT$567,302 thousand (US$19,468 thousand) between the cash consideration and the carrying amount of the additional common shares as a deduction of capital surplus under U.S. GAAP.

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			
	2008	**2009**	**2010**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Net income				
Net income based on ROC GAAP	7,207,483	6,903,468	19,194,889	658,713
Adjustments:				
a. Pension benefits	1,920	(10,692)	17,632	605
b. Bonuses to employees, directors and supervisors	(328,013)	(3,394)	-	-
c. Depreciation of buildings	(117,394)	(115,766)	(105,239)	(3,612)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	432	432	432	15
f. Effect of U.S. GAAP adjustments on equity method investments	5,453	(59,876)	57,954	1,989
g. Impairment of long-lived assets				
Depreciation and gain on recoveries related to restoration of impaired machinery and equipment	195,790	97,598	73,368	2,518
i. Stock-based compensation	(84,835)	(983,309)	(580,237)	(19,912)
k. Undistributed earnings tax	(215,601)	(213,418)	(916,335)	(31,446)
o. Business combination and noncontrolling interest	-	-	1,215,213	41,703
Income tax effect of U.S. GAAP adjustments	(19,599)	(94,666)	(33,620)	(1,154)
Net decrease in net income	(561,847)	(1,383,091)	(270,832)	(9,294)
Net income based on U.S. GAAP	6,645,636	5,520,377	18,924,057	649,419
Attributable to				
Shareholders of the parent	5,492,101	5,317,509	18,181,293	623,930
Noncontrolling interest	1,153,535	202,868	742,764	25,489
	6,645,636	5,520,377	18,924,057	649,419
Earnings per share (in dollar) (Note 33h)				
Basic	0.93	0.94	3.08	0.11
Diluted	0.92	0.93	3.05	0.10
Earnings per ADS (in dollar) (Note 33h)				
Basic	4.65	4.68	15.39	0.53
Diluted	4.58	4.64	15.23	0.52
Number of weighted average outstanding shares (in thousands) (Note 33h)				
Basic	5,905,120	5,678,720	5,906,666	
Diluted	5,945,334	5,698,276	5,935,242	
Number of ADS (in thousands) (Note 33h)				
Basic	1,181,024	1,135,744	1,181,333	
Diluted	1,189,067	1,139,655	1,187,048	

(Continued)

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Shareholders' equity				
Shareholders' equity based on ROC GAAP	71,960,742	74,713,694	91,839,325	3,151,658
Adjustments:				
a. Pension benefits and additional liability				
Pension benefits	64,520	53,828	71,460	2,452
Unrecognized pension cost on adoption of the amended U.S. guidance relating to pension	(613,362)	(613,362)	(613,362)	(21,049)
Defined benefit pension plan adjustment	(627,783)	(596,400)	(808,762)	(27,754)
b. Bonuses to employees, directors and supervisors	3,394	-	-	-
c. Depreciation of buildings	(816,255)	(932,021)	(1,037,260)	(35,596)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	(12,735)	(12,303)	(11,871)	(407)
e. Gain on sale of subsidiary's stock	(8,619)	(8,619)	(8,619)	(296)
f. Effects of U.S. GAAP adjustments on equity method investments	594,283	259,879	(158,977)	(5,456)
g. Impairment loss reversal, net	(1,595,885)	(1,498,287)	(1,424,919)	(48,898)
i. Stock-based compensation	(908,661)	(908,661)	(908,661)	(31,183)
j. Goodwill	1,265,869	1,265,869	1,265,869	43,440
k. Undistributed earnings tax	(393,591)	(607,009)	(1,523,344)	(52,276)
l. Impairment loss on equity method investments	(2,078,620)	(2,078,620)	(883,620)	(30,323)
o. Business combination and noncontrolling interest	-	-	233,499	8,013
Income tax effect of U.S. GAAP adjustments	572,423	477,757	444,137	15,241
Net decrease in shareholders' equity	(4,555,022)	(5,197,949)	(5,364,430)	(184,092)
Shareholders' equity based on U.S. GAAP	67,405,720	69,515,745	86,474,895	2,967,566
Changes in shareholders' equity based on U.S. GAAP				
Balance, beginning of year	84,550,645	67,405,720	69,515,745	2,385,578
Net income for the year	6,645,636	5,520,377	18,924,057	649,419
Adjustment for bonuses to employees, directors and supervisors	973,593	-	-	-
Adjustment for stock option compensation	84,835	983,309	899,384	30,864
Translation adjustment	2,694,149	(1,164,331)	(4,480,032)	(153,742)
Adjustment from changes in ownership percentages of subsidiaries	1,014	1,396	(9,510)	(326)
Unrealized gain (loss) on available-for-sale financial assets	(450,261)	380,464	115,454	3,962
Unrealized gain (loss) on cash flow hedging financial instruments	(391,695)	84,472	105,351	3,615
Stock options exercised by employees	240,770	238,789	499,404	17,138
Cash dividends	(9,361,728)	(2,736,568)	(1,978,190)	(67,886)
Conversion of convertible bonds	265,834	-	-	-
Cash dividends received by subsidiaries from parent company	535,100	160,895	37,536	1,288
Adjustment related to treasury stock arising from changes in ownership percentage of subsidiaries	(3,522,406)	-	-	-
Effects of U.S. GAAP adjustments on equity method investments	314,929	(274,528)	(48,372)	(1,660)
Change in noncontrolling interest	1,435,527	213,335	(459,161)	(15,757)
Change in noncontrolling interest from acquisition of subsidiaries	(14,684,718)	-	(345,186)	(11,845)
Unrecognized pension cost	(223,885)	-	-	-
Defined benefit pension plan adjustment	(601,630)	16,688	(361,824)	(12,417)
Acquisition of treasury stock	(1,099,989)	(1,314,273)	(1,185,205)	(40,673)
Disposal of subsidiaries	-	-	(1,472)	(51)
Disposal of treasury stock held by subsidiaries	-	-	5,246,916	180,059
Balance, end of year	67,405,720	69,515,745	86,474,895	2,967,566
Attributable to				
Shareholders of the parent	65,303,020	66,555,528	82,981,738	2,847,691
Noncontrolling interest	2,102,700	2,960,217	3,493,157	119,875
	67,405,720	69,515,745	86,474,895	2,967,566

(Concluded)

The following U.S. GAAP condensed consolidated balance sheets as of December 31, 2009 and 2010, and consolidated statements of income for the years ended December 31, 2008, 2009 and 2010 have been derived from the audited consolidated financial statements and reflect the adjustments presented above.

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Current assets	61,398,745	85,598,925	2,937,506
Long-term investments	3,341,249	1,343,370	46,100
Property, plant and equipment, net	77,927,097	99,123,341	3,401,625
Intangible assets	12,522,837	15,474,204	531,030
Other assets	2,684,402	3,453,143	118,502
Total assets	157,874,330	204,992,983	7,034,763
Current liabilities	34,574,089	60,496,158	2,076,053
Long-term liabilities	53,784,496	58,021,930	1,991,144
Total liabilities	88,358,585	118,518,088	4,067,197
Equity attributable to shareholders of the parent	66,555,528	82,981,738	2,847,691
Noncontrolling interest in consolidated subsidiaries	2,960,217	3,493,157	119,875
Total liabilities and shareholders' equity	157,874,330	204,992,983	7,034,763

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Net revenues	94,430,912	85,775,314	188,742,797	6,477,103
Cost of revenues	73,001,840	68,350,929	148,874,721	5,108,947
Gross profit	21,429,072	17,424,385	39,868,076	1,368,156
Operating expenses	10,615,048	9,431,512	16,877,538	579,187
Income from operations	10,814,024	7,992,873	22,990,538	788,969
Net non-operating income (expenses)	(1,664,906)	(679,490)	512,214	17,578
Income before income tax	9,149,118	7,313,383	23,502,752	806,547
Income tax expense	2,503,482	1,793,006	4,578,695	157,128
Net income	6,645,636	5,520,377	18,924,057	649,419
Attributable to				
Shareholders of the parent	5,492,101	5,317,509	18,181,293	623,930
Noncontrolling interest	1,153,535	202,868	742,764	25,489
	6,645,636	5,520,377	18,924,057	649,419

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 information by operating, investing and financing activities in accordance with the U.S. GAAP is as follows:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Net cash inflow (outflow) from:				
Operating activities	30,129,594	15,517,228	36,965,094	1,268,535
Investing activities	(36,359,167)	(15,980,715)	(31,418,338)	(1,078,186)
Financing activities	14,461,587	(2,778,549)	(2,965,662)	(101,773)
Net increase (decrease) in cash and cash equivalents	8,232,014	(3,242,036)	2,581,094	88,576
Cash and cash equivalents, beginning of year	17,157,935	26,138,930	22,557,494	774,107
Effect of exchange rate changes	748,981	(339,400)	(1,741,031)	(59,747)
Cash and cash equivalents, end of year	26,138,930	22,557,494	23,397,557	802,936

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

As discussed in Note 3, starting from 2009, bonuses paid to employees, directors and supervisors are classified as operating activities for purposes of the statement of cash flows when paid under ROC GAAP. Therefore, the reclassification of such bonus is no longer required for the cash flow statement starting in 2009.

33. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

a. Recently issued accounting standards

In June 2009, the FASB issued new guidance relating to the transfer of financial assets. The new guidance requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a “qualifying special-purpose entity”, changes the requirements for derecognizing financial assets and requires additional disclosures. The new guidance becomes effective for annual reporting periods beginning after November 15, 2009. The adoption of the new guidance did not have a material impact on the Company’s consolidated financial position and results of operations.

In June 2009, the FASB issued new guidance to improve financial reporting by enterprises involved with variable interest entities (“VIE”). The new guidance modifies the approach for determining the primary beneficiary of a VIE. Under the modified approach, an enterprise is required to make a qualitative assessment whether it has (1) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If an enterprise has both of these characteristics, the enterprise is considered the primary beneficiary and must consolidate the VIE. The new guidance becomes effective for annual reporting periods beginning after November 15, 2009. Based on the Company’s analysis, the adoption of the new guidance did not result in the identification of additional VIEs where the Company is the primary beneficiary.

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. Based on the Company's analysis, the Company currently does not anticipate that the new guidance will have a material effect on the Company's consolidated financial position and results of operations.

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 will be 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 33j.

In January 2010, the FASB issued an accounting update to clarify the scope of decrease in ownership provisions of ASC 810-10 and expands the disclosures required upon deconsolidation of a subsidiary. This guidance requires retrospective application for the Company for the year ended December 31, 2009. The adoption of the guidance did not have a material impact on the Company's consolidated financial position and results of operations.

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 will be effective for the Company on a prospective basis as of January 1, 2011. Based on the Company's analysis, the Company currently does not anticipate that the new guidance will have a material effect on the Company's consolidated financial position and results of operations.

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. Based on the Company's analysis, the Company currently does not anticipate that the new guidance will have a material effect on the Company's consolidated financial position and results of operations.

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. The Company will make the required disclosures prospectively as of the date of the adoption for any material business combinations or series of immaterial business combinations that are material in the aggregate.

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. Based on the Company's analysis, the Company currently does not anticipate that the new guidance will have a material effect on the Company's consolidated financial position and results of operations.

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			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Components of net periodic benefit cost				
Service cost	333,538	369,833	371,242	12,740
Interest cost	107,726	106,430	124,386	4,268
Expected return on plan assets	(46,788)	(35,621)	(29,836)	(1,024)
Amortization	14,185	55,718	47,555	1,632
Curtailment gain	(4,177)	-	(12,359)	(424)
Net periodic benefit cost	404,484	496,360	500,988	17,192
Changes in benefit obligation				
Benefit obligation at beginning of year	4,851,185	5,773,799	5,770,146	198,015
Addition from USI Acquisition	-	-	491,273	16,859
Service cost	333,538	369,833	371,242	12,740
Interest cost	107,726	106,430	124,386	4,268
Curtailment effect	(4,177)	(57,266)	(6,907)	(237)
Actuarial gain	650,236	13,295	382,837	13,138
Benefits paid	(274,252)	(403,267)	(248,814)	(8,538)
Exchange loss (gain)	109,543	(32,678)	(7,809)	(268)
Benefit obligation at end of year	5,773,799	5,770,146	6,876,354	235,977

(Continued)

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Change in plan assets				
Fair value of plan assets at beginning of year	2,132,706	2,055,781	2,097,594	71,983
Addition from USI Acquisition	-	-	7,529	258
Actual return (loss) on plan assets	(144,737)	70,896	33,704	1,157
Employer contribution	153,370	194,889	316,813	10,872
Benefits paid	(93,653)	(220,541)	(57,826)	(1,984)
Translation adjustment	8,095	(3,431)	(31,560)	(1,083)
	2,055,781	2,097,594	2,366,254	81,203
Unfunded status	3,718,018	3,672,552	4,510,100	154,774

(Concluded)

Actuarial assumptions:

	December 31		
	2008	2009	2010
Discount rate	2.00% - 4.90%	2.25% - 4.92%	1.75% - 5.00%
Increase in future salary level	2.50% - 5.00%	2.50% - 5.00%	2.00% - 5.00%
Expected rate of return on plan assets	2.25% - 2.50%	1.50% - 2.50%	2.00% - 2.50%

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

c. Marketable securities

As of December 31, 2009 and 2010, marketable securities by category were as follows:

	December 31, 2009			
	Cost	Unrealized Holding Gross Gains	Unrealized Holding Gross Losses	Fair Value
	NT$	NT$	NT$	NT$
Available-for-sale				
Open-end mutual funds	3,770,000	435	-	3,770,435
Corporate bonds	200,000	-	(1,270)	198,730
Quoted stocks	21,033	5,326	-	26,359
Convertible bonds	96,090	-	-	96,090
	4,087,123	5,761	(1,270)	4,091,614

	December 31, 2010							
	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								
Open-end mutual funds	310,016	10,639	1,054	36	-	-	311,070	10,675
Quoted stocks	47,595	1,634	188,224	6,459	(1,159)	(39)	234,660	8,054
Convertible bonds	87,420	3,000	-	-	-	-	87,420	3,000
	445,031	15,273	189,278	6,495	(1,159)	(39)	633,150	21,729

Bond investments with no active market under ROC GAAP (Note 11) were reclassified as available-for-sale securities under U.S. GAAP since the Company doesn't intend to hold to maturity.

The Company uses the average cost method for trading securities and available-for-sale securities when determining their cost basis. Proceeds from sales of available-for-sale securities for the years ended December 31, 2008, 2009 and 2010 were NT$16,714,277 thousand, NT$38,971,185 thousand and NT$20,883,928 thousand (US$716,676 thousand), respectively. Gross realized gains on these sales for the years ended December 31, 2008, 2009 and 2010 were NT$198,059 thousand, NT$8,235 thousand and NT$40,496 thousand (US$1,390 thousand), respectively. Gross realized losses on these sales for the years ended December 31, 2008, 2009 and 2010 were NT$66,038 thousand, NT$27,673 thousand and NT$1,824 thousand (US$63 thousand), respectively. For the years ended December 31, 2008, 2009 and 2010, the other-than-temporary loss on impairment of available-for-sale financial assets was NT$149,954 thousand, nil and NT$2,680 thousand (US$91 thousand), 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 were measured at fair value using the Hull & White Model (2004) with Ritchken's Trinomial Tree Model (1995) (Note 22) which was changed from the Black-Scholes Model previously used because the Company could generate reliable data of historical option information granted to develop reasonable and supportable estimates for each of the input factors and the underlying assumptions by separate vesting portions and this change results in a better estimate of fair value.

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

ASE Inc. Option Plan

The grant date fair value for the employee stock option granted in 2010 was NT$6.26 (US$0.21) per unit. Other information regarding these employee stock option plans is provided in Note 22.

ASE Mauritius Inc. and USI Option Plan

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

USIE Option Plan

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

ASE Test Option Plan

As discussed in Note 22, all ASE Test employee stock options were exercised or forfeited as of May 30, 2008.

Information regarding ASE Test's option plan is presented below (in U.S. dollars):

	Number of Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (In Thousands)
Outstanding options at January 1, 2008	8,723,172	10.36	
Options exercised	(8,085,352)	9.69	
Options forfeited	(637,820)	18.92	
Outstanding options at May 30, 2008	-	-	$ -

Total intrinsic value of options exercised for the five months ended May 30, 2008 was US$40,074 thousand.

ASE Test has used the fair value based method (based on the Black-Scholes model) to evaluate the options granted with the following assumptions:

	Five Months Ended May 30, 2008
Risk-free interest rate	3.88%-4.88%
Expected life	3-5years
Expected volatility	59.06%-62.03%
Expected dividend yield	-

As of December 31, 2010, there was NT$2,147,234 thousand (US$73,687 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 2.9 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, 2008, 2009 and 2010 are presented below:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Net income based on U.S. GAAP	6,645,636	5,520,377	18,924,057	649,419
Other comprehensive income (loss), net of tax:				
Translation adjustments	2,694,149	(1,164,331)	(4,480,032)	(153,742)

(Continued)

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Unrealized gain (loss) on financial instruments	(841,956)	464,936	220,805	7,577
Unrecognized pension cost	(825,515)	16,688	(361,824)	(12,417)
Comprehensive income	7,672,314	4,837,670	14,303,006	490,837
Attributable to				
Shareholders of the parent	6,518,779	4,198,139	13,643,148	468,192
Noncontrolling interest	1,153,535	639,531	659,858	22,645
	7,672,314	4,837,670	14,303,006	490,837

(Concluded)

The tax benefit adjustment for comprehensive income was nil for the years ended December 31, 2008 and 2009 and NT$38,464 thousand (US$1,320 thousand) for the year ended December 31, 2010.

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

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Cumulative translation adjustment	3,276,508	(1,120,618)	(38,456)
Unrealized gain on financial instruments	25,498	246,303	8,452
Actuarial gain or loss and transition obligation	1,356,625	1,709,026	58,649
Total accumulated other comprehensive loss	4,658,631	834,711	28,645

f. Goodwill

As of December 31, 2009 and 2010, the Company had goodwill of NT$9,767,594 thousand and NT$10,298,537 thousand (US$353,416 thousand), respectively, primarily included in the testing segment.

Changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2010, by segment, were as follows:

	Packaging	Testing	EMS	Other	Total	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance as of January 1, 2009	1,491,058	7,801,586	-	512,036	9,804,680	336,468
Translation adjustment	(10,689)	(25,996)	-	(401)	(37,086)	(1,273)
Balance as of December 31, 2009	1,480,369	7,775,590	-	511,635	9,767,594	335,195
Goodwill acquired	-	356,170	328,005	-	684,175	23,479
Translation adjustment	(37,217)	(114,618)	-	(1,397)	(153,232)	(5,258)
Balance as of December 31, 2010	1,443,152	8,017,142	328,005	510,238	10,298,537	353,416

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 purposes.

As of December 31, 2009 and 2010, the accumulated impairment loss of goodwill for the packaging, EMS and other segments was nil. The accumulated impairment loss of goodwill for the testing segment was NT$1,600,618 thousand (US$54,929 thousand) as of December 31, 2009 and 2010.

g. Intangible assets other than goodwill

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

	December 31		
	2009	2010	
	NT$	NT$	US$ (Note 2)
Cost			
Land use rights	1,496,604	2,449,030	84,043
Customer relationships	915,635	1,704,635	58,498
Patents	152,864	1,184,995	40,666
Acquired special technology	709,088	709,088	24,334
Project in progress	-	493,000	16,918
	3,274,191	6,540,748	224,459
Accumulated amortization			
Land use rights	111,460	166,290	5,706
Customer relationships	131,796	415,434	14,256
Patents	51,148	326,612	11,208
Acquired special technology	224,544	366,362	12,573
Project in progress	-	90,383	3,102
	518,948	1,365,081	46,845
	2,755,243	5,175,667	177,614

The aggregate amortization expense for the years ended December 31, 2008, 2009 and 2010 was NT$177,016 thousand, NT$282,872 thousand and NT$828,909 thousand (US$28,446 thousand), respectively.

As of December 31, 2010, the future estimated aggregate amortization expense for each of the five succeeding fiscal years was as follows:

	Amount	
	NT$	US$ (Note 2)
2011	819,141	28,111
2012	763,693	26,208
2013	603,420	20,708
2014	275,809	9,465
2015	177,918	6,106

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			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Basic EPS				
Income attributable to shareholders of the parent	5,492,101	5,317,509	18,181,293	623,930
Effect of subsidiaries' stock option plans	(42,696)	(26,411)	(102,700)	(3,524)
Diluted EPS				
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	5,449,405	5,291,098	18,078,593	620,406
Weighted average outstanding shares (in thousands)				
Basic	5,905,120	5,678,720	5,906,666	
Effect of dilutive potential common stock	40,214	19,556	28,576	
Diluted	5,945,334	5,698,276	5,935,242	

For the years ended December 31, 2008, 2009 and 2010, 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 and 2010:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$ (Note 2)
Balance, beginning of year	18,405	19,820	19,319	663
Increase related to current year tax position	1,415	-	-	-
Translation adjustment	-	(501)	(1,743)	(60)
Balance, end of year	19,820	19,319	17,576	603

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, 2008, 2009 and 2010, the total amount of interest expense and penalties related to tax uncertainty was approximately NT$4,614 thousand, NT$2,375 thousand and NT$766 thousand (US$26 thousand), respectively. The total amount of interest and penalties recognized as of December 31, 2009 and 2010 was NT$19,799 thousand and NT$20,565 thousand (US$706 thousand), respectively. As of December 31, 2010, 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 is 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 corporate bonds, 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.

The following table presents our assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2010:

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
December 31, 2009				
Assets				
Derivative financial assets				
Forward exchange contracts	-	24,648	-	24,648
Swap contracts	-	17,605	-	17,605
European foreign currency option contracts	-	7,756	-	7,756
Marketable securities - trading				
Open-end mutual funds	974,702	-	-	974,702
Marketable securities - available-for-sale				
Open-end mutual funds	3,770,435	-	-	3,770,435
Corporate bonds	198,730	-	-	198,730
Convertible bonds	-	-	96,090	96,090
Quoted stocks	26,359	-	-	26,359
	4,970,226	50,009	96,090	5,116,325
Liabilities				
Derivative financial liabilities				
Swap contracts	-	50,468	-	50,468
Forward exchange contracts	-	24,062	-	24,062
Interest rate swap contracts	-	311,778	-	311,778
Cross currency swap contracts	-	122,495	-	122,495
	-	508,803	-	508,803
December 31, 2010				
Assets				
Derivative financial assets				
Swap contracts	-	173,389	-	173,389
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

(Continued)

	Level 1	Level 2	Level 3	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
December 31, 2010				
Assets				
Derivative financial assets				
Swap contracts	-	5,950	-	5,950
Cross currency swap contracts	-	5,617	-	5,617
Forward exchange contracts	-	1,667	-	1,667
Marketable securities - trading				
Open-end mutual funds	20,253	-	-	20,253
Financial notes	-	9,900	-	9,900
Quoted stocks	3,248	-	-	3,248
Marketable securities - available-for-sale				
Open-end mutual funds	10,675	-	-	10,675
Quoted stocks	8,054	-	-	8,054
Convertible bonds	-	-	3,000	3,000
	42,230	23,134	3,000	68,364
Liabilities				
Derivative financial liabilities				
Cross currency swap contracts	-	17,418	-	17,418
Swap contracts	-	13,547	-	13,547
Interest rate swap contracts	-	6,504	-	6,504
Forward exchange contracts	-	472	-	472
	-	37,941	-	37,941

(Concluded)

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, 2009 and 2010:

	Balance	Level 1	Level 2	Level 3	Total Losses
	NT$	NT$	NT$	NT$	NT$
December 31, 2009					
Machinery and equipment	-	-	-	-	11,117
December 31, 2010					
Buildings and improvements	43,394	-	-	43,394	206,983
Equity method investment - SCT	20,085	-	-	20,085	41,739
	63,479	-	-	63,479	248,722

	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, 2010					
Property, plant and equipment, net	1,489	-	-	1,489	7,103
Equity method investment - SCT	689	-	-	689	1,433
	2,178	-	-	2,178	8,536

The fair value measurements of the buildings and improvements are determined based on observable inputs by reference to comparable sales data and substitute costs with insignificant adjustment. Total carrying amount of buildings and improvements of NT$250,377 thousand (US$8,592 thousand) were written down to their fair value, NT$43,394 thousand (US$1,489 thousand), resulting in an NT$206,983 thousand (US$7,103 thousand) impairment charges, included in earnings for the period.

The machinery and equipment and buildings and improvements are parts of the property, plant and equipment, net on the 2009 and 2010 consolidated balance sheets under U.S. GAAP in Note 32.

As discussed in Note 12, the Company recognized an impairment loss for the equity method investments of SCT. Due to the absence of quoted market price, the fair value measurement 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 year ended December 31, 2010:

	NT$	US$ (Note 2)
Balance, beginning of year	96,090	3,298
Translation adjustment	(8,670)	(298)
Balance, end of year	87,420	3,000

k. Business combination

ASE Test Acquisition

As discussed in Note 2, ASE Inc. acquired from minority shareholders the remaining 53.4% of shares it did not own on May 30, 2008. The ASE Test Acquisition was accounted for as a purchase as prescribed by the U.S. guidance relating to business combinations consummated before January 1, 2009, and the operating results have been reflected in the Company's consolidated financial statements since May 31, 2008. This results in stepping up ASE Test's net assets to fair value for the acquired interest. Information for all periods prior to May 31, 2008 is presented using the historical basis of accounting.

The purchase price allocation based on the fair value analysis was as follows:

	Assets and Liabilities Acquired as of May 31, 2008 NT$
Current assets	$ 9,008,176
Property, plant and equipment, net	6,407,633
Intangible assets	1,675,139
Goodwill	6,761,987
Other assets	5,474,004
Liabilities assumed	(3,017,628)
Net assets acquired	$ 26,309,311

Current assets, property, plant and equipment, other assets and liabilities were recorded at fair value. The valuation of acquired intangible assets was determined based on management's estimates. The identifiable intangible assets acquired were as follows:

1) NT$709,088 thousand for acquired special technology representing the existing "know-how" of customizing testing programs for individual customers' needs. Integrated circuit "IC" testing is a unique process as IC differs by function, design and specifications. Testers must be configured to meet the unique requirements of each test. "Know-how" is amortized over the estimated useful life of 5 years.

2) NT$50,416 thousand for patents that relate to the maintenance of special technology “know-how” (mentioned above) and testing environments. Patents are amortized over the estimated useful life of 5 years.

3) NT$915,635 thousand for customer relationships that represent what a firm would be willing to pay ASE Test in order to exploit revenue associated with existing customer relationships and are amortized over the estimated useful life of 11 years.

The excess of the purchase price over the fair value of net assets acquired is allocated to goodwill. The Company paid a premium for this acquisition in order to fully consolidate ASE Test’s earnings, simplify organizational structure, reduce costs and administrative burdens associated with filing and compliance requirements relating to ASE Test’s listings on the NASDAQ Global Market and the TSE and public company reporting obligations, enhance brand recognition through the promotion of a single common brand and increase flexibility in making investments and allocating resources among our subsidiaries.

The following unaudited pro forma information is for illustrative purposes only and presents the results of operations for the year ended December 31, 2008 under U.S. GAAP as though the ASE Test Acquisition had occurred at the beginning of 2008. 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 and ASE Test been a combined company during the year ended December 31, 2008. 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 acquisition. Prior to the acquisition of the additional interest, ASE Test was consolidated within the Company’s consolidated financial statements with an appropriate amount reflected as noncontrolling interest.

	Year Ended December 31,2008 NT$
Net revenues	94,430,912
Cost of revenues	73,315,552
Gross profit	21,115,360
Operating expenses	10,615,048
Income from operations	10,500,312
Non-operating expenses	(1,351,194)
Income before income tax	9,149,118
Income tax expense	2,503,482
Net income	6,645,636
Attributable to	
Shareholders of the parent	5,998,109
Noncontrolling interest	647,527
	6,645,636

USI Acquisition

As discussed in Note 2, the Company acquired an additional 60.07% of USI's outstanding common shares on February 9, 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$	**US$ (Note 2)**
Fair value of total consideration transferred	13,475,056	462,424
Fair value of the Company's equity interest in USI held before the business combination	3,870,461	132,823
	17,345,517	595,247
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	29,599,349	1,015,764
Long-term investments	497,508	17,073
Property, plant and equipment, net	6,866,077	235,624
Other assets	1,613,584	55,373
Identifiable intangible assets	3,016,043	103,502
Liabilities assumed	(20,113,548)	(690,239)
	21,479,013	737,097
Noncontrolling interest in USI	(4,461,501)	(153,106)
Goodwill	328,005	11,256
	17,345,517	595,247

Acquisition-related costs (included in operating expenses) of the USI Acquisition for the year ended December 31, 2010 were NT$25,441 thousand (US$873 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 (US$35,450 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 (US$27,076 thousand) for customer relationships that represent 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 (US$24,058 thousand) for land use rights that are amortized over the remaining contractual period of 42.2 years.

4) NT$493,000 thousand (US$16,918 thousand) for projects in-progress that 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 (US$50,195 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 (US$2,044,522 thousand) and NT$2,116,325 thousand (US$72,626 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. on August 2, 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 (US$3,012 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 (US$19,254 thousand) and NT$24,416 thousand (US$838 thousand), respectively. As of April 28, 2011, the Company has not yet completed the initial accounting for the EEMS Test Singapore Pte. Ltd. Acquisition.

The following unaudited pro forma information is for illustrative purposes only and presents the results of operations for the years ended December 31, 2009 and 2010 and under U.S. GAAP as though the USI Acquisition and EEMS Test Singapore Pte. Ltd. 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 and USI and EEMS Test Singapore Pte. Ltd. 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		
	2009	**2010**	
	NT$	**NT$**	**US$ (Note 2)**
Net revenues	138,712,024	194,099,705	6,660,937
Net income	6,033,691	19,092,106	655,186

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

	Year Ended December 31, 2010	
	NT$	**US$ (Note 2)**
Net income attributable to shareholders of the parent	18,181,293	623,930
Transfers to noncontrolling interest:		
Decrease in the parent's capital surplus for the purchase of USI's common shares from noncontrolling interest	(567,302)	(19,468)
Change from net income attributable to shareholders of the parent and transfers to noncontrolling interest	17,613,991	604,462