Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements as of December 31, 2008 and 2009 and for the Years Ended December 31, 2007, 2008 and 2009 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, 2008 and 2009, 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, 2009, 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, 2008 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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 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, 2009, 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, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche
Taipei, Taiwan
The Republic of China
April 28, 2010

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	December 31		
	2008	2009	
ASSETS	**NT$**	**NT$**	**US$ (Note 2)**
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 4)	$ 26,138,930	$ 22,557,494	$ 706,025
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	537,480	1,024,711	32,072
Available-for-sale financial assets - current (Notes 2 and 6)	279,812	3,995,524	125,056
Bond investments with no active market - current (Notes 2 and 7)	450,000	-	-
Accounts receivable, net (Notes 2 and 8)	11,388,105	17,811,541	557,482
Other receivables	587,030	763,679	23,902
Other receivables from related parties (Note 27)	32,003	463,068	14,494
Guarantee deposits - current	16,074	256,876	8,040
Inventories (Notes 2, 3 and 9)	3,635,032	4,955,227	155,093
Construction in progress related to property development (Notes 2, 10 and 28)	1,144,113	7,251,193	226,954
Deferred income tax assets - current (Notes 2 and 24)	1,085,448	893,622	27,969
Other current assets	1,072,824	1,440,067	45,072
Total current assets	46,366,851	61,413,002	1,922,159
LONG-TERM INVESTMENTS			
Financial assets carried at cost - noncurrent (Notes 2 and 11)	547,368	692,059	21,661
Bond investments with no active market - noncurrent (Notes 2 and 7)	-	96,090	3,007
Equity method investments (Notes 2 and 12)	3,779,670	4,371,841	136,834
Total long-term investments	4,327,038	5,159,990	161,502
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 27, 28 and 29)			
Cost			
Land	2,395,951	2,374,530	74,320
Buildings and improvements	39,763,199	41,186,763	1,289,101
Machinery and equipment	129,424,251	131,206,473	4,106,619
Transportation equipment	212,956	201,003	6,291
Furniture and fixtures	3,765,175	3,800,859	118,963
Leased assets and leasehold improvements	390,209	343,204	10,742
Total cost	175,951,741	179,112,832	5,606,036
Less: Accumulated depreciation	(98,560,461)	(109,231,262)	(3,418,819)
Less: Accumulated impairment	(12,991)	(5,401)	(169)
	77,378,289	69,876,169	2,187,048
Construction in progress	4,989,149	4,167,279	130,431
Machinery in transit and prepayments	2,390,546	5,320,412	166,523
Net property, plant and equipment	84,757,984	79,363,860	2,484,002
INTANGIBLE ASSETS			
Patents (Notes 2 and 14)	130,373	101,716	3,184
Goodwill (Notes 2 and 14)	9,456,091	9,419,005	294,805
Deferred pension cost (Notes 2 and 20)	73,793	58,450	1,829
Acquired special technology (Notes 2 and 14)	626,362	484,544	15,166
Land use rights (Notes 2 and 14)	1,438,351	1,385,144	43,353
Other intangible assets (Notes 2 and 14)	867,079	783,839	24,533
Total intangible assets	12,592,049	12,232,698	382,870
OTHER ASSETS			
Assets leased to others (Notes 2 and 15)	688,656	586,067	18,343
Idle assets (Notes 2 and 16)	361,388	361,835	11,325
Guarantee deposits - noncurrent	45,150	50,628	1,585
Deferred charges (Note 2)	1,156,213	1,030,404	32,251
Deferred income tax assets - noncurrent (Notes 2 and 24)	1,629,709	1,621,017	50,736
Restricted assets (Note 28)	191,416	177,565	5,557
Others (Note 20)	73,533	63,830	1,998
Total other assets	4,146,065	3,891,346	121,795
TOTAL	$ 152,189,987	$ 162,060,896	$ 5,072,328

	December 31		
	2008	2009	
LIABILITIES AND SHAREHOLDERS' EQUITY	**NT$**	**NT$**	**US$ (Note 2)**
CURRENT LIABILITIES			
Short-term borrowings (Note 17)	$ 8,779,267	$ 13,024,993	$ 407,668
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	82,876	74,530	2,333
Hedging derivative liabilities - current (Notes 2 and 26)	-	122,495	3,834
Accounts payable	5,167,347	8,954,015	280,251
Income tax payable (Note 2)	1,265,274	1,181,485	36,979
Accrued expenses (Note 20)	4,194,044	4,453,294	139,383
Payable for properties	2,246,924	3,433,235	107,457
Advance real estate receipts (Notes 2 and 10)	-	1,507,472	47,182
Current portion of long-term bank loans (Notes 19 and 28)	2,670,845	923,284	28,898
Current portion of capital lease obligations (Note 2)	23,133	12,055	377
Other current liabilities	840,984	887,231	27,769
Total current liabilities	25,270,694	34,574,089	1,082,131
LONG-TERM DEBTS			
Hedging derivative liabilities - noncurrent (Notes 2 and 26)	391,695	311,778	9,758
Long-term bonds payable (Notes 2 and 18)	1,375,000	-	-
Long-term bank loans (Notes 19 and 28)	49,839,565	49,076,618	1,536,044
Capital lease obligations (Note 2)	15,927	3,718	116
Total long-term debts	51,622,187	49,392,114	1,545,918
OTHER LIABILITIES			
Accrued pension cost (Notes 2 and 20)	2,663,776	2,729,844	85,441
Deferred income tax liabilities (Notes 2 and 24)	151,729	180,955	5,663
Others	520,859	470,200	14,717
Total other liabilities	3,336,364	3,380,999	105,821
Total liabilities	80,229,245	87,347,202	2,733,870
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT			
Capital stock - NT$10 par value			
Authorized - 8,000,000 thousand shares			
Issued - 5,690,428 thousand shares in 2008 and 5,479,878 thousand shares in 2009 (Note 21)	56,904,278	54,798,783	1,715,142
Capital received in advance (Note 21)	3,387	135,205	4,232
Capital surplus (Note 21)			
Capital in excess of par value	1,329,634	1,311,421	41,046
Treasury stock transactions	823,813	827,285	25,893
Long-term investment	3,536,854	3,538,222	110,743
Others	682,986	656,827	20,558
Total capital surplus	6,373,287	6,333,755	198,240
Retained earnings (Note 21)	9,221,404	13,229,409	414,066
Other equity adjustments (Notes 2, 20 and 21)			
Unrealized gain or loss on financial instruments	(439,438)	25,498	798
Cumulative translation adjustments	4,873,957	3,276,508	102,551
Unrecognized pension cost	(230,401)	(248,641)	(7,782)
Treasury stock - 431,232 thousand shares in 2008 and 322,532 thousand shares in 2009	(7,034,480)	(5,934,491)	(185,743)
Total other equity adjustments	(2,830,362)	(2,881,126)	(90,176)
Total equity attributable to shareholders of the parent	69,671,994	71,616,026	2,241,504
MINORITY INTEREST	2,288,748	3,097,668	96,954
Total shareholders' equity	71,960,742	74,713,694	2,338,458
TOTAL	$ 152,189,987	$ 162,060,896	$ 5,072,328

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

(With Deloitte & Touche audit report dated April 28, 2010)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
NET REVENUES (Note 2)				
Packaging	$ 78,516,274	$ 73,391,622	$ 67,935,456	$ 2,126,305
Testing	20,007,839	19,021,360	15,795,108	494,370
Other	2,638,956	2,017,930	2,044,750	63,998
Total net revenues	101,163,069	94,430,912	85,775,314	2,684,673
COST OF REVENUES (Notes 3, 9 and 23)				
Packaging	58,261,353	59,178,272	55,557,439	1,738,887
Testing	12,634,387	12,766,132	11,342,103	354,995
Other	2,024,020	717,034	729,588	22,835
Total cost of revenues	72,919,760	72,661,438	67,629,130	2,116,717
GROSS PROFIT	28,243,309	21,769,474	18,146,184	567,956
OPERATING EXPENSES (Notes 2, 23 and 27)				
Research and development	3,073,491	3,671,204	3,611,950	113,050
Selling	994,229	1,158,637	1,209,199	37,847
General and administrative	5,512,880	5,694,224	4,310,692	134,920
Total operating expenses	9,580,600	10,524,065	9,131,841	285,817
INCOME FROM OPERATIONS	18,662,709	11,245,409	9,014,343	282,139
NON-OPERATING INCOME AND GAINS				
Interest income (Notes 26 and 27)	348,660	326,772	173,870	5,442
Gain on valuation of financial assets, net (Notes 2 and 5)	205,997	286,914	934,938	29,262
Equity in earnings of equity method investees (Notes 2 and 12)	345,705	77,450	330,117	10,332
Foreign exchange gain, net (Notes 2 and 26)	403,532	282,031	4,203	132
Others (Note 15)	1,176,137	985,336	815,680	25,530
Total non-operating income and gains	2,480,031	1,958,503	2,258,808	70,698
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 10, 13 and 26)	1,574,524	1,813,296	1,508,023	47,200
Loss on valuation of financial liabilities (Notes 2 and 5)	28,583	732,204	645,774	20,212
Impairment loss (Notes 2, 6, 11, 13 and 16)	994,682	293,319	11,117	348
Others (Note 27)	1,193,083	889,328	719,847	22,530
Total non-operating expenses and losses	3,790,872	3,728,147	2,884,761	90,290
INCOME BEFORE INCOME TAX	17,351,868	9,475,765	8,388,390	262,547
INCOME TAX EXPENSE (Notes 2 and 24)	3,357,384	2,268,282	1,484,922	46,476
NET INCOME	$ 13,994,484	$ 7,207,483	$ 6,903,468	$ 216,071
ATTRIBUTABLE TO				
Shareholders of the parent	$ 12,165,249	$ 6,160,052	$ 6,744,546	$ 211,097
Minority interest	1,829,235	1,047,431	158,922	4,974
	$ 13,994,484	$ 7,207,483	$ 6,903,468	$ 216,071

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
EARNINGS PER SHARE (Note 25)				
Basic earnings per share				
Before income tax	$ 2.55	$ 1.36	$ 1.49	$ 0.05
After income tax	$ 2.26	$ 1.14	$ 1.31	$ 0.04
Diluted earnings per share				
Before income tax	$ 2.46	$ 1.33	$ 1.47	$ 0.05
After income tax	$ 2.18	$ 1.12	$ 1.29	$ 0.04
EARNINGS PER ADS (Note 25)				
Basic earnings per ADS				
Before income tax	$ 12.73	$ 6.81	$ 7.43	$ 0.23
After income tax	$ 11.28	$ 5.71	$ 6.53	$ 0.20
Diluted earnings per ADS				
Before income tax	$ 12.32	$ 6.67	$ 7.34	$ 0.23
After income tax	$ 10.90	$ 5.59	$ 6.45	$ 0.20

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

(With Deloitte & Touche audit report dated April 28, 2010) (Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

				Retained Earnings			Other Equity Adjustments					
	Capital Stock	Capital Received in Advance	Capital Surplus	Legal Reserve	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, 2007	$ 45,925,086	$ 384,428	$ 3,805,768	$ -	$ 16,985,043	$ 16,985,043	$ 416,400	$ 1,330,651	$ (19,041)	$ (2,808,436)	$ 11,106,860	$ 77,126,759
Appropriations of 2006 earnings												
Legal reserve	-	-	-	1,698,504	(1,698,504)	-	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	(300,000)	(300,000)	-	-	-	-	-	(300,000)
Bonus to employees - cash	-	-	-	-	(535,028)	(535,028)	-	-	-	-	-	(535,028)
Bonus to employees - stock	535,029	-	-	-	(535,029)	(535,029)	-	-	-	-	-	-
Cash dividends - 15%	-	-	-	-	(6,941,011)	(6,941,011)	-	-	-	-	-	(6,941,011)
Stock dividends - 15%	6,941,011	-	-	-	(6,941,011)	(6,941,011)	-	-	-	-	-	-
Adjustment of equity method investments	-	-	15,867	-	-	-	(15,069)	-	12,525	145,468	(142,209)	16,582
Cash dividends received by subsidiaries from parent company	-	-	271,945	-	-	-	-	-	-	-	-	271,945
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	1,187	-	-	-	-	1,187
Stock options exercised by employees												
Common stock	697,276	(384,428)	649,392	-	-	-	-	-	-	-	-	962,240
Capital received in advance	-	61,952	-	-	-	-	-	-	-	-	-	61,952
Conversion of convertible bonds												
Common stock	377,187	-	923,608	-	-	-	-	-	-	-	-	1,300,795
Capital received in advance	-	429,931	-	-	-	-	-	-	-	-	-	429,931
Capital surplus from accrued interest on convertible bonds	-	-	728,254	-	-	-	-	-	-	-	-	728,254
Net income in 2007	-	-	-	-	12,165,249	12,165,249	-	-	-	-	1,829,235	13,994,484
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	1,283,507	1,283,507
Changes in minority interest from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	489,134	489,134
Cumulative translation adjustments	-	-	-	-	-	-	-	849,157	-	-	-	849,157
BALANCE, DECEMBER 31, 2007	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
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	(18,014)	-	-	-	-	(18,014)
Change in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	(391,695)	-	-	-	-	(391,695)
Stock options exercised by employees												
Common stock	198,067	(61,952)	101,268	-	-	-	-	-	-	-	-	237,383
Capital received in advance	-	3,387	-	-	-	-	-	-	-	-	-	3,387
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 (Note 21)												
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 loss on cash flow hedging financial instruments	-	-	-	-	-	-	84,472	-	-	-	-	84,472
Stock options exercised by employees												
Common stock	74,245	(3,387)	32,726	-	-	-	-	-	-	-	-	103,584
Capital received in advance	-	135,205	-	-	-	-	-	-	-	-	-	135,205
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
U.S. Dollars (Note 2)												
BALANCE, DECEMBER 31, 2009	$ 1,715,142	$ 4,232	$ 198,240	$ 110,517	$ 303,549	$ 414,066	$ 798	$ 102,551	$ (7,782)	$ (185,743)	$ 96,954	$ 2,338,458

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

(With Deloitte & Touche audit report dated April 28, 2010)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 13,994,484	$ 7,207,483	$ 6,903,468	$ 216,071
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	15,558,722	16,333,515	16,775,929	525,068
Amortization	1,067,430	911,337	862,153	26,984
Impairment loss	994,682	293,319	11,117	348
Equity in earnings of equity method investees, net of cash dividends of NT$154,517 thousand, NT$292,094 thousand and NT$82,299 thousand (US$2,576 thousand) received in 2007, 2008 and 2009, respectively	(191,188)	214,644	(247,818)	(7,756)
Accrued interest on convertible bonds	177,111	-	-	-
Provision for inventory valuation and obsolescence	588,699	510,038	191,904	6,006
Deferred income taxes	2,029,567	701,722	229,744	7,190
Others	(89,358)	213,514	406,416	12,721
Changes in operating assets and liabilities				
Financial assets for trading	(44,091)	1,064,514	(487,231)	(15,250)
Accounts receivable	(5,441,054)	7,474,046	(6,470,810)	(202,529)
Other receivables (including receivables from related parties)	(95,286)	223,690	(129,022)	(4,038)
Inventories	(281,463)	767,071	(1,509,143)	(47,234)
Construction in progress related to property development	(68,160)	(591,148)	(6,107,080)	(191,145)
Other current assets	120,897	96,399	(411,045)	(12,865)
Financial liabilities for trading	(308,252)	38,545	(8,346)	(261)
Accounts payable	661,423	(4,345,030)	3,786,668	118,518
Income tax payable	(94,783)	27,949	(83,789)	(2,623)
Advance real estate receipts	-	-	1,507,472	47,182
Accrued expenses and other current liabilities	(268,766)	(412,809)	296,641	9,285
Net cash provided by operating activities	28,310,614	30,728,799	15,517,228	485,672
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale financial assets	(11,768,642)	(7,692,649)	(42,695,001)	(1,336,307)
Proceeds from disposal of available-for-sale financial assets	11,825,157	16,714,277	38,971,185	1,219,755
Acquisition of bond investments with no active market	-	(450,000)	(97,740)	(3,059)
Proceeds from disposal of bond investments with no active market	-	-	450,000	14,085
Acquisition of financial assets carried at cost	(17,970)	(74,477)	(154,544)	(4,837)
Proceeds from disposal of financial assets carried at cost	910,307	6,295	3,203	100
Proceeds from disposal of held-to-maturity financial assets	-	50,000	-	-
Acquisition of equity method investments	-	-	(84,000)	(2,629)
Acquisition of subsidiaries	(846,889)	(26,490,526)	-	-
Acquisition of property, plant and equipment	(17,190,432)	(18,583,343)	(11,445,621)	(358,235)
Proceeds from disposal of property, plant and equipment	347,470	187,521	93,116	2,914
Decrease (increase) in guarantee deposits	147,399	429,082	(246,280)	(7,708)
Decrease in restricted assets	57,395	87,652	13,851	434
Increase in other assets	(894,892)	(442,555)	(337,864)	(10,575)
Acquisition of patents	(6,595)	(96,109)	(1,020)	(32)
Acquisition of land use rights	(670,669)	(4,335)	-	-
Increase in other receivables from related parties	-	-	(450,000)	(14,085)
Net cash used in investing activities	(18,108,361)	(36,359,167)	(15,980,715)	(500,179)

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of):				
Short-term borrowings	$ 3,784,091	$ (1,702,051)	$ 4,245,726	$ 132,887
Short-term bills payable	149,831	(149,831)	-	-
Bonds payable	-	(5,549,983)	(1,375,000)	(43,036)
Proceeds from long-term debts	3,072,061	42,020,525	31,145,664	974,825
Repayments of long-term debts and capital lease obligations	(7,711,576)	(11,858,119)	(33,385,917)	(1,044,942)
Increase (decrease) in guarantee deposits received	(212,271)	(48,634)	28,800	901
Decrease in collection of accounts receivable sold	(2,378,464)	-	-	-
Proceeds from exercise of stock options by employees	1,024,192	240,770	238,789	7,474
Compensation to directors and supervisors and bonus to employees	(835,028)	(599,205)	-	-
Cash dividends, net of cash dividends received by subsidiaries	(6,669,066)	(8,826,628)	(2,575,673)	(80,616)
Repurchase of treasury stock	-	(1,099,989)	(1,314,273)	(41,135)
Increase in minority interest	1,283,507	1,435,527	213,335	6,677
Net cash provided by (used in) financing activities	(8,492,723)	13,862,382	(2,778,549)	(86,965)
EFFECT OF EXCHANGE RATE CHANGES	(281,670)	748,981	(339,400)	(10,623)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,427,860	8,980,995	(3,581,436)	(112,095)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,730,075	17,157,935	26,138,930	818,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,157,935	$ 26,138,930	$ 22,557,494	$ 706,025
SUPPLEMENTAL INFORMATION				
Interest paid (excluding capitalized interest)	$ 1,605,936	$ 1,719,200	$ 1,659,164	$ 51,930
Income tax paid	$ 1,604,529	$ 1,538,611	$ 1,338,967	$ 41,908
Cash paid for acquisition of property, plant and equipment				
Acquisition of property, plant and equipment	$ 18,172,155	$ 16,623,705	$ 12,631,932	$ 395,365
Decrease (increase) in payable	(973,359)	1,963,582	(1,186,311)	(37,130)
Increase in capital lease obligations	(8,364)	(3,944)	-	-
	$ 17,190,432	$ 18,583,343	$ 11,445,621	$ 358,235
Cash received from disposal of property, plant and equipment				
Proceeds from disposal of property, plant and equipment	$ 259,924	$ 100,162	$ 115,263	$ 3,608
Decrease (increase) in other receivables	87,546	87,359	(22,147)	(694)
	$ 347,470	$ 187,521	$ 93,116	$ 2,914

(Continued)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Cash paid for acquisition of new subsidiaries				
Fair value of assets acquired from Top Master Enterprises Limited ("TME") and Suzhou ASEN Semiconductors Co., Ltd. ("ASEN")	$ 10,244,745	$ -	$ -	$ -
Less: Fair value of liabilities from TME and ASEN	(7,094,243)	-	-	-
Fair value of net assets of TME and ASEN	3,150,502	-	-	-
Attributable to minority interest of ASEN	(489,134)	-	-	-
Fair value of net assets acquired	2,661,368	-	-	-
Less: Cash received at acquisition	(1,814,479)	-	-	-
Net cash outflow	$ 846,889	$ -	$ -	$ -
Fair value of assets acquired from ASE WeiHai Inc. ("ASE WeiHai")	$ -	$ 919,505	$ -	$ -
Less: Fair value of liabilities from ASE WeiHai	-	(706,649)	-	-
Fair value of net assets acquired	-	212,856	-	-
Less: Cash received at acquisition	-	(31,641)	-	-
Net cash outflow	$ -	$ 181,215	$ -	$ -
Net cash outflow for acquisition of ASE Test Limited ("ASE Test") (Note 2)	$ -	$ 26,309,311	$ -	$ -
FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS				
Current portion of long-term bank loans	$ 5,258,946	$ 2,670,845	$ 923,284	$ 28,898
Current portion of capital lease obligations	67,838	23,133	12,055	377
Bonds converted to capital stock	1,730,726	265,834	-	-
Current portion of bonds payable	1,375,000	-	-	-

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

(With Deloitte & Touche audit report dated April 28, 2010) (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"), is an independent provider of semiconductor packaging and testing services and offers a comprehensive range of IC packaging and testing service. 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, 2008 and 2009, the Company had approximately 27,000 and 29,500 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 reasonably estimate the amounts of allowances for doubtful accounts, sales discounts, inventory valuations, depreciation of property, plant and equipment, losses on impairment of assets, amortization of intangible assets, pension expenses, gains or losses on valuation of financial instruments, valuation allowances for deferred income tax assets and bonuses to employees, directors and supervisors. 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, 2008 and 2009, 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, 2009.

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 2008	2009	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)	77.6	76.2	Holding company
	ASE Marketing & Service Japan Co., Ltd.	100.0	100.0	Engaged in marketing and sales services
	ASE Test, Inc.	-	100.0	Engaged in the testing of semiconductors
	PowerASE Technology Inc. (PowerASE)	56.0	56.0	Engaged in the packaging and testing of memory integrated circuits
	ASE Test	53.4	-	Holding company
	ASE Technologies, Inc.	99.5	-	Dissolved in December 2008
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
ASE Investment (Labuan) Inc.	ASE (Korea) Inc. (ASE Korea)	100.0	100.0	Engaged in the packaging and testing of semiconductors
J&R Holding	J&R Industrial Inc.	100.0	100.0	Engaged in the leasing equipment and investing activity
	ASE Japan Co., Ltd. (ASE Japan)	100.0	100.0	Engaged in the packaging and testing of semiconductors
	ASE (U.S.) Inc. (ASE US)	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	100.0	Engaged in the packaging and testing of semiconductors
	ASEN	60.0	60.0	Engaged in the packaging and testing of semiconductors

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2008	2009	Remark
	Omniquest	9.4	9.2	Holding company
	ASE Test	36.4	89.8	Holding company
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	13.0	14.6	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) Inc.	100.0	100.0	Will engage in the packaging and testing of semiconductors
	ASE Shanghai	98.8	98.8	Engaged in the production of substrates
	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)	90.0	14.0	Engaged in the development and sale of real estate properties
	Advanced Semiconductor Engineering (HK) Limited	100.0	100.0	Engaged in trading
Shanghai DH	Shanghai Ding Wei Real Estate Development Co., Ltd. (Shanghai DW)	-	100.0	Established in October 2009 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, Inc.	100.0	-	Engaged in the testing of semiconductors
	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

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31 2008	2009	Remark
	ASE Investment (Labuan) Inc.	30.0	30.0	Holding company
	ASE Singapore Pte. Ltd. (ASE Singapore)	100.0	100.0	Engaged in the testing of semiconductors
ASE Test Holdings, Ltd.	ISE Labs, Inc. (ISE)	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
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	Engaged in the production of substrates
	Shanghai DH	-	76.0	Engaged in the development and sale of real estate properties

(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.

The ASE Test Acquisition was 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 May 31, 2008. This acquisition resulted in stepping up ASE Test’s net assets to fair value for the acquired interest.

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).

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

Bonds with repurchase agreements are highly liquid financial instruments with maturities of less than three months when acquired and with carrying amounts that approximate their fair values.

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; derivatives 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 and derecognition bases 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.

Fair values of open-end mutual funds and publicly traded stocks are the same with those of financial assets at FVTPL. Bonds are determined at the prices quoted by Taiwan GreTai Securities Market.

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.

Revenues are determined using the fair value taking into account related sales discounts agreed to 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 and current trends in the credit quality of its customers. An allowance for sales discounts is recognized based on historical experience in the same period sales are recognized.

Inventories and Construction In Progress Related to Property Development

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. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a category by category basis. Market value represented replacement cost for raw materials, supplies and net realizable value for finished goods and work in process. As stated in Note 3, effective January 1, 2009, inventories 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.

Construction in progress related to property development for the Company's real estate business is accounted for using the completed-contract method. Prior to the completion, borrowing costs directly attributable to the acquisition or construction of construction in progress related to property development are capitalized as part of the cost of those assets. Construction in progress related to property development is stated at the lower of cost or net realizable value. The amounts received in advance are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and risk of the real estate property are transferred to customers.

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.

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. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given and liabilities incurred or assumed, by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date.

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

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

Property, Plant and Equipment and Assets Leased to Others

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 55 years; machinery and equipment, 2 to 10 years; furniture and fixtures, 2 to 13 years; transportation equipment, 2 to 10 years; and leased assets and leasehold improvements, 3 to 6 years. In the event that an asset which has been depreciated to its residual value is still in service, its residual value is further depreciated over its re-estimated service life.

When property, plant and equipment and assets leased to others 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 acquired are initially recorded at cost. Patent, acquired special technology and customer relationship arising on the acquisition are initially recorded at fair value at the date of acquisition.

Amortization is computed using the straight-line method over estimated service lives, which range as follows: land use rights, 50 to 60 years; patent, acquired special technology and customer relationship, 5 to 11 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.

Idle Assets

Idle assets are stated at the lower of their 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.

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.

For the purpose of goodwill impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that an impairment loss may exist. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For equity method investments, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

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, 2007, 2008 and 2009, the amortization expense was NT$1,054,876 thousand, NT$734,321 thousand and NT$579,281 thousand (US$ 18,130 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" ("ROC SFAS No.39"). 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 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.

Convertible Bonds

Prior to the adoption of ROC SFAS No. 34 "Financial Instruments : Recognition and Measurement" ("ROC SFAS No.34") and No. 36 "Financial Instruments : Disclosure and Presentation" ("ROC SFAS No.36") on January 1, 2006, convertible bonds were recorded as a financial liability. The stated redemption price in excess of the face value of the bonds is recognized as interest expense over the period from the issuance date to the date the put option becomes exercisable, using the effective interest rate method. If the market price of the common shares into which the bonds are convertible is higher than the redemption price at the time the put option expires, the related accrued interest is transferred to capital surplus. Conversion of convertible bonds into common shares is accounted for by the book value method. Under this method, unamortized bond issuance costs and accrued interest, together with face value of converted bonds, are written off, and the common shares issued are recorded at their par value, with any excess recorded as capital surplus. No change in accounting treatment was required for convertible bonds issued before January 1, 2006 after ROC SFAS No. 34 and No. 36 were effective.

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.

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 inter-period allocations for its income tax whereby deferred income tax assets and liabilities are recognized for 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 temporary differences between the book value and taxable base of equity method investments in foreign subsidiaries are not recognized as deferred income tax assets or liabilities since the Company could control the timing of reversal of the temporary differences and would not reverse them in the foreseeable future.

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 subsidiaries are their local currencies, namely, the U.S. dollar, Japanese Yen, Korea Won, PRC CNY 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, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit or loss if the changes in fair value is recognized in profit or loss.

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

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.

U.S. Dollar Amounts

The Company prepares its consolidated financial statements in New Taiwan dollars. A translation of the 2009 consolidated financial statements into U.S. dollars is included solely for the convenience of the readers, and has been based on the U.S. Federal Reserve Bank of New York noon buying rate of NT$31.95 to US$1.00 in effect on December 31, 2009. 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, 2008 and for the years ended December 31, 2007 and 2008 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2009.

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$634,457 thousand and NT$554,106 thousand to cost of revenues for the year ended December 31, 2007 and 2008, respectively.

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 earnings per share of NT$675,111 thousand and NT$0.13, 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 years ended December 31, 2007 and 2008. Starting from 2009, such bonuses are classified as operating activities for purposes of the consolidated statements of cash flows when paid.

Besides, starting January 1, 2008, the Company adopted ROC SFAS No. 39, which requires companies to record share-based payment transactions in the financial statements at fair value. The adoption of ROC SFAS No. 39 had no impact on the consolidated results of operations and consolidated financial position of the Company.

Starting January 1, 2007, the Company adopted the released ROC SFAS No. 37, “Intangible Assets” and ROC SFAS No. 38 “Non-current Assets Held for Sale and Discontinued Operations”. The adoption of ROC SFAS No. 37 and ROC SFAS No. 38 had no impact on the consolidated results of operations and consolidated financial positions of the Company.

4. CASH AND CASH EQUIVALENTS

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Cash on hand	6,694	4,441	139
Checking and saving accounts	13,960,753	15,845,797	495,956
Time deposits	10,501,483	5,738,307	179,603
Cash equivalents - bonds with repurchase agreements	1,670,000	968,949	30,327
	26,138,930	22,557,494	706,025

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Financial assets for trading - current			
Open-end mutual funds	-	974,702	30,507
Forward exchange contracts	1,053	24,648	771
Swap contracts	-	17,605	551
European foreign currency option contracts	-	7,756	243
Domestic publicly traded stocks	536,427	-	-
	537,480	1,024,711	32,072
Financial liabilities for trading - current			
Swap contracts	61,257	50,468	1,580
Forward exchange contracts	21,410	24,062	753
Interest rate swap contracts	209	-	-
	82,876	74,530	2,333

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 was as follows:

a. Forward exchange contracts

The outstanding forward exchange contracts of the Company as of December 31, 2008 and 2009 were as follows:

Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2008		
USD/JPY	2009.01.05-2009.01.09	USD1,105/JPY99,192
USD/NTD	2009.01.12-2009.01.20	USD4,000/NTD132,242
USD/MYR	2009.01.15-2009.01.22	USD1,500/MYR5,278
NTD/USD	2009.01.09-2009.02.23	NTD4,072,502/USD123,426
December 31, 2009		
USD/JPY	2010.01.12	USD5,500/JPY485,558
USD/NTD	2010.01.07-2010.03.22	USD129,000/NTD4,154,707
USD/MYR	2010.01.29-2010.05.27	USD7,500/MYR25,595
NTD/USD	2010.01.06-2010.01.15	NTD3,209,480/USD100,000
USD/CNY	2010.04.20-2010.04.22	USD20,000/CNY135,829

b. Swap contracts

The outstanding swap contracts of ASE Inc. as of December 31, 2008 and 2009 were as follows:

Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2008		
NTD/USD	2009.01.12-2009.04.10	NTD5,133,164/USD154,500
December 31, 2009		
NTD/USD	2010.01.06-2010.01.20	NTD6,258,897/USD194,000
USD/NTD	2010.01.07-2010.03.15	USD85,500/NTD2,755,120

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

Contract	Maturity Date	Contract Amount (In Thousands)	Strike Price
Sell USD Put/CNY Call	2010.04.22	USD10,000／CNY66,875	6.6875
Sell USD Put/CNY Call	2010.04.21	USD5,000／CNY33,447	6.6894
Sell USD Put/CNY Call	2010.04.22	USD5,000／CNY33,447	6.6894
Buy USD Call/CNY Put	2010.04.22	USD10,000／CNY66,875	6.6875 (Note)
Buy USD Call/CNY Put	2010.04.21	USD5,000／CNY33,447	6.6894 (Note)
Buy USD Call/CNY Put	2010.04.22	USD5,000／CNY33,447	6.6894 (Note)

Note: If the spot rate for CNY against USD at the expiry date exceeds 6.850, there is no settlement obligation between both parties.

d. Interest rate swap contract

As of December 31, 2008, the notional amount of the outstanding contract of ASE Inc. was NT$1,375,000 thousand. Interest receipt and payment were based on floating rates semi-annually. The contract was matured on January 9, 2009.

For the years ended December 31, 2007, 2008 and 2009, the gain on valuation of financial assets held for trading was NT$205,997 thousand, NT$286,914 thousand and NT$934,938 thousand (US$29,262 thousand), respectively; the loss on valuation of financial liabilities held for trading was NT$28,583 thousand, NT$732,204 thousand and NT$645,774 thousand (US$20,212 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Open-end mutual funds	-	3,770,000	117,997
Corporate bonds	100,000	200,000	6,260
Overseas publicly traded stocks	21,578	21,033	658
Domestic publicly traded stocks	165,623	-	-
	287,201	3,991,033	124,915
Adjustment of valuations	(7,389)	4,491	141
	279,812	3,995,524	125,056

The other than temporary or realized loss on impairment of available-for-sale financial assets was nil for the years ended December 31, 2007 and 2009. For the year ended December 31, 2008, the other than temporary or realized loss on impairment of available-for-sale financial assets was NT$149,954 thousand and all the impaired available-for-sale financial assets were disposed of during the year ended December 31, 2009.

7. BOND INVESTMENTS WITH NO ACTIVE MARKET

In July 2008, ASE Inc. purchased 3-year unsecured corporate bonds with a coupon rate 4.202% issued by Powerchip Semiconductor Corp. ("PSC") at face value of NT$450,000 thousand. The investment was recorded as bond investments with no active market - current. ASE Inc. exercised the put right to require PSC to redeem the bonds on July 15, 2009.

In October 2009, the Company purchased 3-year unsecured convertible corporate bonds with a coupon rate of 3.0% issued by SiPhoton Inc. at face value of USD$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 stock at the specified conversion price. The Company may also exercise the warrants to purchase additional SiPhoton Inc.'s common stock at the conversion price.

8. ACCOUNTS RECEIVABLE

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Accounts receivable	11,590,294	18,024,943	564,161
Allowance for doubtful accounts	(99,160)	(68,705)	(2,150)
Allowance for sales allowances	(103,029)	(144,697)	(4,529)
	11,388,105	17,811,541	557,482

9. INVENTORIES

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Finished goods	577,757	624,334	19,541
Work in process	352,905	833,091	26,075
Raw materials	2,200,631	2,911,720	91,134
Supplies	444,478	400,315	12,529
Materials and supplies in transit	59,261	185,767	5,814
	3,635,032	4,955,227	155,093

As of December 31, 2008 and 2009, the allowance for inventory devaluation was NT$800,702 thousand and NT$359,020 thousand (US$11,237 thousand), respectively.

The cost of inventories sold recognized as cost of revenues for the years ended December 31, 2007, 2008 and 2009 was NT$72,919,760 thousand, NT$72,661,438 thousand and NT$67,629,130 thousand (US$2,116,717 thousand), respectively, which included NT$588,699 thousand, NT$510,038 thousand and NT$191,904 thousand (US$6,006 thousand), respectively, due to write-downs of inventories.

10. CONSTRUCTION IN PROGRESS RELATED TO PROPERTY DEVELOPMENT

Construction in progress related to property development represents real estate development projects of Shanghai DH and Shanghai DW. The advance receipts from construction in progress amounted to NT$1,507,472 thousand (US$47,182 thousand) as of December 31, 2009. The capitalized interest expense for the years ended December 31, 2007, 2008 and 2009 is presented in Note 13 to the consolidated financial statements.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Non-publicly traded common and preferred stocks			
H&HH Venture Investment Corporation	73,921	73,921	2,314
Global Strategic Investment Inc.	65,720	64,060	2,005
UC Fund II	26,288	22,421	702
ID Solutions, Inc.	10,236	19,616	614
Other	1,153	7	-
Limited Partnership			
Ripley Cable Holdings I, L.P.	287,467	297,881	9,323
Crimson Velocity Fund, L.P.	82,583	81,217	2,542
H&QAP Mega Investment Holdings Fund, L.P.	-	38,436	1,203
Private placement of common stocks of publicly traded company			
Advanced Microelectronic Products, Inc.	-	94,500	2,958
	547,368	692,059	21,661

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 these investments and cannot exercise significant influence. Therefore, these investments are carried at cost.

For the years ended December 31, 2007, 2008 and 2009, the loss on impairment of financial assets carried at cost was NT$178,500 thousand, NT$21,395 thousand and nil, respectively.

12. EQUITY METHOD INVESTMENTS

	December 31				
	2008		2009		
	NT$	% of Owner-ship	NT$	US$ (Note 2)	% of Owner-ship
Publicly traded					
Universal Scientific Industrial Co., Ltd. ("USI")	3,067,864	18.3	3,295,598	103,149	18.1
Hung Ching Development & Construction Co. ("HCDC")	635,296	26.2	936,370	29,307	26.2
Non-publicly traded					
Hung Ching Kwan Co. ("HCKC")	346,308	27.3	326,609	10,222	27.3
StarChips Technology Inc. ("SCT")	-	-	82,010	2,567	33.3

(Continued)

	December 31				
	2008		2009		
	NT$	% of Owner-ship	NT$	US$ (Note 2)	% of Owner-ship
Universal Scientific Industrial (Shanghai) Co., Ltd. ("USISH")	28,127	0.5	31,403	983	0.5
Inprocomm, Inc.	2,224	32.1	-	-	-
	4,079,819		4,671,990	146,228	
Deferred gain on transfer of land	(300,149)		(300,149)	(9,394)	
	3,779,670		4,371,841	136,834	

(Concluded)

Market values of the publicly traded equity method investees as of December 31, 2008 and 2009 were as follows:

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
USI	1,524,259	3,897,473	121,987
HCDC	288,245	1,221,610	38,235
	1,812,504	5,119,083	160,222

The differences between the cost of investments and equity in investees' net assets were attributable to goodwill and deferred gain on transfer of land. As of December 31, 2008 and 2009, the amounts of goodwill were NT$371,436 thousand and NT$416,437 thousand (US$13,034 thousand), respectively; and the amount of deferred gain on transfer of land was both NT$300,149 thousand (US$9,394 thousand).

As of December 31, 2008 and 2009, the Company had made an accumulated investment in USI of NT$3,838,677 thousand (US$120,146 thousand). USI is engaged in the manufacturing, processing and sale of computer peripherals, integrated circuits, electrical parts, personal computers and related accessories.

As of December 31, 2008 and 2009, the Company had made an accumulated investment in HCDC of NT$2,845,913 thousand (US$89,074 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.

As of December 31, 2008 and 2009, the Company had made an accumulated investment in USISH, which is a subsidiary of USI, of NT$27,441 thousand (US$859 thousand). USISH is engaged in the designing and manufacturing of electronic products, manufacturing and processing of new electronic components, computer high-performance motherboards and wireless network communication components and provision of related technical consulting.

As of December 31, 2009, the Company had made an investment in SCT of NT$84,000 thousand (US$2,629 thousand). SCT is engaged in the designing, manufacturing and sale of LED driver ICs.

As of December 31, 2009, Inprocomm, Inc. had completed its liquidation.

As of December 31, 2009, the Company had significant influence over USI and USISH, therefore the investments were accounted for by the equity method. In addition, in order to enhance the technical and business cooperation relationship, the board of directors of ASE Inc. has resolved to launch a cash and stock tender offer to buy all of the outstanding common shares of USI not owned by the Company at a fixed price of NT$21 per share, which comprises of a fixed 0.34 share of ASE Inc.'s common shares which are owned by the subsidiaries, J&R Holding and ASE Test, and plus 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 public tender offer period was from November 18, 2009 to February 3, 2010 (Note 30).

The Company recorded equity in earnings of equity method investees of NT$345,705 thousand, NT$77,450 thousand and NT$330,117 thousand (US$10,332 thousand) in 2007, 2008 and 2009, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Buildings and improvements	11,568,335	13,687,777	428,413
Machinery and equipment	84,004,673	92,304,040	2,889,015
Transportation equipment	115,124	123,734	3,873
Furniture and fixtures	2,610,209	2,822,938	88,355
Leased assets and leasehold improvements	262,120	292,773	9,163
	98,560,461	109,231,262	3,418,819

For the years ended December 31, 2007 and 2009, the loss on impairment of property, plant and equipment was nil. For the year ended December 31, 2008, the loss on impairment of property, plant and equipment was NT$87,375 thousand.

Information about capitalized interest expense was as follows:

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Total interest expense including capitalized interest	1,747,048	1,990,097	1,681,192	52,620
Less: Capitalized interest				
Included in construction in progress related to property development	(2,330)	(42,666)	(111,855)	(3,501)
Included in property, plant and equipment	(170,194)	(134,135)	(61,314)	(1,919)
Interest expense	1,574,524	1,813,296	1,508,023	47,200
Capitalization rate				
Construction in progress related to property development	7.47%-7.56%	7.47%-7.56%	4.78%-5.70%	
Property, plant and equipment	1.56%-6.33%	2.16%-6.48%	1.10%-4.80%	

14. INTANGIBLE ASSETS

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

	Patents	Goodwill	Acquired Special Technology	Land Use Rights	Other-Customer Relationship
	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2008	5,950	3,188,117	-	1,486,209	-
Additions					
From newly acquired subsidiaries	50,416	6,271,247	709,088	1,651	915,635
Acquisition	96,109	-	-	4,335	-
Amortization	(22,134)	-	(82,726)	(23,600)	(48,556)
Reclassified to assets leased to others	-	-	-	(121,736)	-
Translation adjustment	32	(3,273)	-	91,492	-
Balance at December 31, 2008	130,373	9,456,091	626,362	1,438,351	867,079
Additions - acquisition	1,020	-	-	-	-
Amortization	(28,584)	-	(141,818)	(29,230)	(83,240)
Reclassified from assets leased to others	-	-	-	10,254	-
Translation adjustment	(1,093)	(37,086)	-	(34,231)	-
Balance at December 31, 2009	101,716	9,419,005	484,544	1,385,144	783,839

	Patents	Goodwill	Acquired Special Technology	Land Use Rights	Other-Customer Relationship
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
Balance at January 1, 2009	4,081	295,965	19,605	45,018	27,138
Additions - acquisition	32	-	-	-	-
Amortization	(895)	-	(4,439)	(915)	(2,605)
Reclassified from assets leased to others	-	-	-	321	-
Translation adjustment	(34)	(1,160)	-	(1,071)	-
Balance at December 31, 2009	3,184	294,805	15,166	43,353	24,533

As of December 31, 2009, the future estimated aggregate amortization expense for each of the five succeeding fiscal years was as follows:

	Amount	
	NT$	US$ (Note 2)
2010	271,260	8,490
2011	271,260	8,490
2012	271,260	8,490
2013	174,450	5,460
2014	104,276	3,264

The intangible assets arising from newly acquired subsidiaries in 2008 were mainly related to the ASE Test Acquisition. The acquired special technology represented the existing know-how of customizing testing programs for individual customer's needs. A portion of the purchase price was allocated to customer relationships as the Company can exploit revenue associated with the existing customer relationships. The valuation of acquired intangible assets was determined based on management's estimates.

15. ASSETS LEASED TO OTHERS

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Cost			
Land	-	1,280	40
Buildings and improvements	615,666	560,501	17,543
Machinery and equipment	54,097	51,587	1,615
Transportation equipment	5,302	4,362	137
Land use rights	132,727	120,432	3,769
	807,792	738,162	23,104
Accumulated depreciation/amortization			
Buildings and improvements	64,506	91,229	2,855
Machinery and equipment	47,593	50,442	1,579
Transportation equipment	1,407	1,550	49
Land use rights	5,630	8,874	278
	119,136	152,095	4,761
	688,656	586,067	18,343

The assets leased to others were mainly buildings and improvements and land use rights leased to USISH. For the years ended December 31, 2007, 2008 and 2009, the rental revenue was NT$70,869 thousand, NT$114,131 thousand and NT$131,712 thousand (US$4,122 thousand), respectively.

16. IDLE ASSETS

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Cost			
Land	34,216	34,216	1,071
Buildings and improvements	24,019	36,144	1,131
Machinery and equipment	799,563	906,265	28,365
Furniture and fixtures	24,877	9,308	291
Deferred charges	647	-	-
	883,322	985,933	30,858
Accumulated depreciation	(280,753)	(373,138)	(11,678)
Accumulated impairment	(241,181)	(250,960)	(7,855)
	361,388	361,835	11,325

In December 2007, ASE Electronics' Flip-Chip production line became idle due to various commercial factors. The Company recognized an impairment loss of NT$816,182 thousand in 2007, of which NT$394,842 thousand was recognized for deferred charges, NT$34,595 thousand in 2008, and NT$11,117 thousand (US$348 thousand) in 2009.

17. SHORT-TERM BORROWINGS

Short-term borrowings represented revolving bank loans with annual interest rates of 1.50%-8.59% and 0.86%-5.83% as of December 31, 2008 and 2009, respectively.

18. LONG-TERM BONDS PAYABLE

In January 2004, the Company issued NT$2.75 billion of domestic secured bonds, which consisted of 275 units with face value of NT$10 million each. The bonds were repaid in two equal installments in January 2008 and 2009.

As of December 31, 2008, the Company had obtained new long term credit lines to refinance the bonds payable on a long-term basis. Therefore, the bonds payable were not classified as short-term debts as of December 31, 2008.

19. LONG-TERM BANK LOANS

Long-term bank loans consisted of the following:

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Loans for specified purposes	24,811,650	23,440,634	733,666
Revolving bank loans	26,455,101	26,535,748	830,540
Mortgage loans	1,243,659	23,520	736

(Continued)

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
	52,510,410	49,999,902	1,564,942
Current portion	(2,670,845)	(923,284)	(28,898)
	49,839,565	49,076,618	1,536,044

(Concluded)

a. Loans for specified purposes

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Syndicated bank loan (Led by Citi bank)			
Repayable through March 2013 in semi-annual installments, interest rate was 2.99% and 1.97% as of December 31, 2008 and 2009, respectively	17,500,000	16,362,500	512,128
US$200,000 thousand, repayable at maturity in May 2011; interest rate was 5.11% and 1.09% as of December 31, 2008 and 2009, respectively	6,572,000	6,406,000	200,501
	24,072,000	22,768,500	712,629
Others - interest rate was 1.35%-5.00% and 1.35%-1.78% as of December 31, 2008 and 2009, respectively	739,650	672,134	21,037
	24,811,650	23,440,634	733,666

The above syndicated bank loans led by Citi bank were restricted for use in the ASE Test Acquisition. 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.

Other loans for specified purposes were designated to repay other loans or purchase equipment.

b. Revolving bank loans

	December 31		
	2008	2009	
	NT$	NT$	US$
Syndicated bank loans - due from March 2010 to June 2014 - interest rate was 1.53%-2.93% and 1.13%-2.02% as of December 31, 2008 and 2009, respectively			
ASE Inc.	6,520,000	5,500,000	172,144
ASESH AT	3,622,815	4,708,410	147,368
ASE Shanghai	2,346,204	762,314	23,860

(Continued)

	December 31		
	2008	2009	
	NT$	NT$	US$
Other bank loans - due from May 2010 to December 2012 - interest rate was 1.82%-6.25% and 0.78%-2.73% as of December 31, 2008 and 2009, respectively			
ASE Inc.	12,220,000	13,943,900	436,429
ASE Shanghai	212,736	1,281,200	40,100
Other	1,533,346	339,924	10,639
	26,455,101	26,535,748	830,540

(Concluded)

c. Mortgage loans

The Company has mortgaged the construction in progress related to property development, buildings, machinery and equipment as collateral for the loans, which are repayable in quarterly installments or in a lump sum payment at maturity. The interest rates were 1.85% to 7.56% and 1.31% as of December 31, 2008 and 2009, respectively.

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, 2009, the Company was in compliance with all of the loan covenants.

As of December 31, 2008 and 2009, loans of NT$4,466,620 thousand and NT$6,298,520 thousand (US$197,137 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, the loans were not classified as short-term debts.

As of December 31, 2009, the future maturities of long-term bank loans were as follows:

	Amount	
	NT$	US$ (Note 2)
Within one year	7,221,804	226,035
During the second year	28,284,537	885,275
During the third year	9,942,950	311,203
During the fourth year	4,193,468	131,251
During the fifth year and thereafter	357,143	11,178
	49,999,902	1,564,942

Long-term bonds payable (Note 18) and long-term bank loans by currencies were detailed as follows:

	December 31	
	2008	2009
New Taiwan dollars	NT$38,032,640	NT$31,666,020
U.S. dollars	US$ 460,486	US$ 572,397
PRC CNY	CNY 150,000	CNY -

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. ISE has a 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 ASE Singapore each has a defined contribution pension plan.

c. According to local regulations, the subsidiaries in China made 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$483,717 thousand, NT$508,651 thousand and NT$450,466 thousand (US$14,099 thousand) for the years ended December 31, 2007, 2008 and 2009, 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.

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. ASE Inc., ASE Test, Inc. and ASE Electronics maintain pension plans for executive managers. Pension costs for these managers were NT$42,916 thousand, NT$74,154 thousand and NT$22,474 thousand (US$703 thousand) for the years ended December 31, 2007, 2008 and 2009, respectively. As of December 31, 2008 and 2009, accrued pension costs were NT$155,105 thousand and NT$161,613 thousand (US$5,058 thousand), respectively. Pension payments were NT$2,666 thousand in 2008 and NT$15,966 thousand (US$500 thousand) in 2009.

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, 2008 and 2009, the asset allocation 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.

Information about defined benefit pension plans is summarized as follows:

a. Pension costs for these entities consist of:

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Service cost	379,750	333,538	369,833	11,575
Interest	86,490	107,726	106,430	3,331
Projected return on plan assets	(37,312)	(46,788)	(35,621)	(1,115)
Amortization	17,958	20,674	61,487	1,924
Curtailment gain	-	(8,746)	(19,787)	(619)
	446,886	406,404	482,342	15,096

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

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Benefit obligation			
Vested benefit obligation	2,516,940	2,559,381	80,106
Non-vested benefit obligation	1,907,886	1,932,697	60,491
Accumulated benefit obligation	4,424,826	4,492,078	140,597
Additional benefit based on future salaries	1,348,973	1,278,068	40,002
Projected benefit obligation	5,773,799	5,770,146	180,599
Fair value of plan assets	(2,055,781)	(2,097,594)	(65,652)
Funded status	3,718,018	3,672,552	114,947
Unrecognized net transition obligation	(72,818)	(57,761)	(1,808)
Unrecognized prior service cost	(11,617)	(10,891)	(341)
Unrecognized net actuarial loss	(1,427,640)	(1,340,574)	(41,958)
Additional pension liability	310,048	311,742	9,757
Recorded under accrued expenses	(7,320)	(8,316)	(260)
Prepaid pension cost (recorded as other assets-other)	-	1,479	46
Accrued pension cost	2,508,671	2,568,231	80,383
c. Vested benefit	2,598,524	2,619,611	81,991

	December 31	
	2008	2009
d. Actuarial assumptions used:		
Discount rate	2.00%-4.90%	2.25%-4.92%
Increase in future salary level	2.75%-5.00%	2.50%-5.00%
Expected rate of return on plan assets	2.25%-2.50%	1.50%-2.50%

	Year Ended December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
e. Contributions to the funds	153,370	194,889	6,100
f. Payments from the funds	93,653	220,541	6,903

g. The Company expects to make contributions of NT$146,122 thousand (US$4,573 thousand) to its defined benefit pension plans in 2010.

h. Expected benefit payments:

Year of Payments	Amount NT$	Amount US$ (Note 2)
2010	$ 211,000	$ 6,604
2011	221,985	6,948
2012	225,528	7,059
2013	275,977	8,638
2014	270,811	8,476
2015 and thereafter	917,384	28,713

Plan assets and obligations reflected herein were measured as of December 31, 2008 and 2009.

21. SHAREHOLDERS' EQUITY

Common Stock

The Company reserved common stocks of NT$8,000,000 thousand, representing 800,000 thousand shares, for employee stock option plans. For the years ended December 31, 2008 and 2009, employees exercised options and paid NT$240,770 thousand and NT$238,789 thousand (US$7,474 thousand), of which NT$3,387 thousand and NT$135,205 thousand (US$4,232 thousand) were recorded as "capital received in advance" as of December 31, 2008 and 2009, respectively.

For the year ended December 31, 2008, long-term bonds payable converted to common stock amounted to NT$265,834 thousand. For the years ended December 31, 2007, 2008 and 2009, the Company issued shares in the amount of NT$1,074,463 thousand (107,446 thousand shares), NT$457,822 thousand (45,782 thousand shares) and NT$74,245 thousand (7,425 thousand shares), respectively, due to the exercise of employee stock options and the conversion of long-term bonds payable aforementioned. For the year ended December 31, 2009, the Company applied for a capital reduction in the amount of NT$2,179,740 thousand (US$68,223 thousand) by retirement of treasury stock. In addition, the shareholders' meetings held in June 2007 and June 2008 resolved to distribute stock dividends out of capital surplus and retained earnings, including bonuses to employees through issuance of common stock, in the amount of NT$7,476,040 thousand (747,604 thousand shares) and NT$1,970,867 thousand (197,087 thousand shares), respectively. The Company has completed the registration formalities for all the above-mentioned increases and reduction of capital.

American Depositary Shares

ASE Inc. issued ADS, each ADS representing five common shares. As of December 31, 2008 and 2009, 42,330 thousand and 46,256 thousand ADS were outstanding and represented approximately 211,648 thousand and 231,280 thousand common shares of ASE Inc., respectively.

Capital Surplus

Under 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 used to offset a deficit. In addition, such capital surplus may be transferred to capital, subject 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 long-term investments accounted for by the equity method 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, 2008 and 2009, the bonus to employees was NT$554,405 thousand and NT$607,009 thousand (US$18,999 thousand), respectively, and the compensation to directors and supervisors was NT$110,881 thousand and NT$121,402 thousand (US$ 3,800 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 2007 and 2008 earnings resolved at the Company's annual shareholders' meetings and the appropriation of 2009 earnings proposed by the Company's board meeting and to be resolved by the Company's annual shareholders' meeting is as follows:

	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Legal reserve	1,216,525	616,005	674,455	21,110
Compensation to directors and supervisors	216,000	-	-	-
Bonus to employees - cash	383,205	-	-	-
Bonus to employees - stock	383,205	-	-	-
Stock dividends - NT$0.09, nil and NT$0.84 in 2007, 2008 and 2009, respectively	492,723	-	4,615,775	144,469
Cash dividends - NT$1.71, NT$0.50 and NT$0.36 in 2007, 2008 and 2009, respectively	9,361,728	2,736,568	1,978,190	61,915
	12,053,386	3,352,573	7,268,420	227,494

Aside from the 2008 earnings appropriation listed above, the shareholders also resolved to distribute bonuses to employees and compensation to directors and supervisors of NT$554,404 thousand and NT$88,800 thousand in cash, respectively. In addition, the shareholders resolved the transfer of NT$1,094,939 thousand of capital surplus to paid-in capital in their meeting in June 2008.

Aside from the 2009 earnings appropriation listed above, the board meeting also proposed to distribute bonuses to employees and compensation to directors and supervisors of NT$607,009 thousand (US$18,999 thousand) and NT$120,000 thousand (US$3,756 thousand), respectively. The board meeting held in March 2010 also proposed the transfer of NT$879,195 thousand (US$27,518 thousand) of capital surplus to paid-in capital.

The cash bonus to employees of NT$554,404 thousand and the compensation to directors and supervisors of NT$88,800 thousand for 2008 were approved in the shareholders' meeting in June 2009. The approved amounts of the bonus to employees and the compensation to directors and supervisors were different from the accrual amounts of NT$554,405 thousand and NT$110,881 thousand, respectively, reflected in the consolidated financial statements for the year ended December 31, 2008, and the total difference of NT$22,082 thousand (US$691 thousand) had been adjusted in earnings for the year ended December 31, 2009.

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

Unrealized Gain (Loss) on Financial Instruments

Movements of the unrealized gain on financial instruments for the years ended December 31, 2008 and 2009 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, 2008	18,014	384,504	-	402,518	12,598
Recognized directly in shareholders' equity	38,345	(432,247)	(403,687)	(797,589)	(24,964)
Removed from shareholders' equity and recognized in earnings	(56,359)	-	11,992	(44,367)	(1,388)
Balance at December 31, 2008	-	(47,743)	(391,695)	(439,438)	(13,754)
Recognized directly in shareholders' equity	58	380,464	(165,552)	214,970	6,728
Removed from shareholders' equity and recognized in earnings	(58)	-	250,024	249,966	7,824
Balance at December 31, 2009	-	332,721	(307,223)	25,498	798

Treasury Stock (Shares in Thousands)

	Beginning Shares	Addition	Retirement	Ending Shares
Year ended December 31, 2008				
Parent company shares held by subsidiaries	313,464	9,068	-	322,532
Repurchase under share buyback plan	-	108,700	-	108,700
	313,464	117,768	-	431,232
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

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 with total repurchase costs of NT$2,414,262 thousand (US$75,564 thousand). All the treasury stock repurchased under the above-mentioned share buyback plans were retired in March 2009 and June 2009.

As of December 31, 2008 and 2009, information regarding treasury stock held by subsidiaries was as follows:

Subsidiary	Shares Held By Subsidiaries	Calculated by the Company's Ownership: Shares	Book Value NT$	Market Value NT$
December 31, 2008				
ASE Test	204,907	204,907	4,483,761	2,417,906
J&R Holding	109,771	109,771	1,254,053	1,295,291
ASE Test, Inc.	7,854	7,854	196,677	92,680
	322,532	322,532	5,934,491	3,805,877
December 31, 2009				
ASE Test	204,907	204,907	4,483,761	5,911,575
J&R Holding	109,771	109,771	1,254,053	3,166,877
ASE Test, Inc.	7,854	7,854	196,677	226,595
	322,532	322,532	5,934,491	9,305,047

Subsidiary	Book Value US$	Market Value US$
December 31, 2009		
ASE Test	140,337	185,026
J&R Holding	39,250	99,120
ASE Test, Inc.	6,156	7,092
	185,743	291,238

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 long-term investments to treasury stock. Cash dividends received in 2007, 2008 and 2009 by the subsidiaries from ASE Inc. were NT$271,945 thousand, NT$535,100 thousand and NT$160,895 thousand (US$5,036 thousand), respectively, which were recorded as capital surplus. Stock dividends received in 2007, 2008 and 2009 by the subsidiaries from ASE Inc. were 40,396 thousand shares, 9,068 thousand shares and nil, 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. had three employee stock option plans, the 2002 Plan, 2004 Plan and 2007 Plan, which were approved in August 2002, May 2004 and November 2007, respectively. The maximum number of units authorized to be granted under the 2002 Plan, 2004 Plan and 2007 Plan was 160,000 thousand, 140,000 thousand and 200,000 thousand, respectively, with each unit representing the right to purchase one share of common stock when exercisable. Under the terms of the plans, stock option rights are granted at an exercise price equal to 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, 2007, 2008 and 2009 was as follows:

	Year Ended December 31								
	2007			2008			2009		
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)	Weighted Average Grant Date Fair Value (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)	Weighted Average Grant Date Fair Value (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (NT$)	Weighted Average Grant Date Fair Value (NT$)
Beginning outstanding balance	171,256	16.6		295,748	24.5		271,838	25.0	
Options granted	185,806	30.7	11.8	-	-	-	-	-	-
Options forfeited	(6,927)	19.3		(7,891)	26.9		(9,211)	26.7	
Options exercised	(54,387)	18.8		(16,019)	15.0		(16,061)	14.9	
Ending outstanding balance	295,748	25.6		271,838	25.0		246,566	25.6	
Ending exercisable balance	71,096	16.0		78,141	15.8		140,003	22.7	

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, 2007, 2008 and 2009 was NT$37.66, NT$22.49 and NT$20.47 (US$0.64), respectively.

Information regarding outstanding and exercisable stock options as of December 31, 2009 was as follows:

	Outstanding			Exercisable		
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)
9.8	16,833	9.8	3.0	16,790	9.8	3.0
13.8	4,935	13.8	3.6	4,935	13.8	3.6
18.9	45,048	18.9	4.5	44,726	18.9	4.5
15.4	6,855	15.4	5.4	5,385	15.4	5.4
29.6	172,895	29.6	8.0	68,167	29.6	8.0
	246,566	25.6		140,003	22.7	

As of December 31, 2009, the number of options that were expected to vest was 95,195 thousand units.

As of December 31, 2009, the aggregate intrinsic value of outstanding and exercisable stock options was NT$935,370 thousand (US$29,276 thousand) and NT$911,573 thousand (US$28,531 thousand), respectively.

Total intrinsic value of options exercised for the years ended December 31, 2007, 2008 and 2009 was NT$1,198,329 thousand, NT$183,166 thousand and NT$160,669 thousand (US$5,029 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.

Information regarding outstanding and exercisable stock options granted or modified after January 1, 2004 for the years ended December 31, 2007 and 2008 was as follows:

	Year Ended December 31					
	2007			2008		
	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)	Weighted Average Grant Date Fair Value (US$)	Number of Options (In Thousands)	Weighted Average Exercise Price Per Share (US$)	Weighted Average Grant Date Fair Value (US$)
Beginning outstanding balance	414	7.28		368	7.31	
Options granted	-	-	-	-	-	-
Options forfeited	(12)	6.10		-	-	
Options exercised	(34)	7.38		(368)	7.31	
Ending outstanding balance	368	7.31		-	-	
Ending exercisable balance	185	6.79		-	-	

ASE Mauritius Inc. Option Plan

ASE Mauritius Inc. had an employee stock option plan which was approved in November 2007 and 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 exercisable. 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, 2007, 2008 and 2009 was as follows:

	Year Ended December 31								
	2007			2008			2009		
	Number of Options (In Thousands)	Exercise Price Per Share (US$)	Grant Date Fair Value (US$)	Number of Options (In Thousands)	Exercise Price Per Share (US$)	Grant Date Fair Value (US$)	Number of Options (In Thousands)	Exercise Price Per Share (US$)	Grant Date Fair Value (US$)
Beginning outstanding balance	-	-		30,000	1.7		29,620	1.7	
Options granted	30,000	1.7	0.9	-	-	-	-	-	-
Options forfeited	-	-		(380)	1.7		(200)	1.7	
Ending outstanding balance	30,000	1.7		29,620	1.7		29,420	1.7	
Ending exercisable balance	-	-		-	-		11,236	1.7	

For the years ended December 31, 2008 and 2009, the remaining contractual life is nine years and eight years, respectively.

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2007, 2008 and 2009.

For purposes of pro forma disclosure, the estimated fair values of the options are amortized to expense over the option vesting periods. Had the Company recorded compensation cost based on the estimated grant date fair value which was determined using the Black-Scholes option pricing model, the Company's net income would have been reduced to the pro forma amounts below:

	Year Ended December 31		
	2007	2008	2009
Assumptions:			
ASE Inc.			
Expected dividend yield	3.00%	3.00%	3.00%
Expected volatility	46.0%-59.0%	46.0%-59.0%	46.0%-59.0%
Risk free interest rate	1.80%-2.51%	1.80%-2.51%	1.80%-2.51%
Expected life	5.0-6.5 years	5.0-6.5 years	5.0-6.5 years
ASE Test			
Expected dividend yield	-	-	-
Expected volatility	59.95%-62.03%	59.95%-62.03%	-
Risk free interest rate	4.88%	4.88%	-
Expected life	3-5 years	3-5 years	-
ASE Mauritius Inc.			
Expected dividend yield	-	-	-
Expected volatility	47.21%	47.21%	47.21%
Risk free interest rate	4.17%	4.17%	4.17%
Expected life	6.5 years	6.5 years	6.5 years

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Net income attributable to shareholders of the parent for calculation of basic EPS:				
As reported	12,165,249	6,160,052	6,744,546	211,097
Pro forma	12,013,309	5,436,867	6,127,405	191,781
Net Income attributable to shareholders of the parent for calculation of diluted EPS:				
As reported	12,280,224	6,099,460	6,718,074	210,268
Pro forma	12,128,284	5,376,275	6,100,933	190,953
Earnings per share				
Basic EPS - as reported	2.26	1.14	1.31	0.04
Basic EPS - pro forma	2.23	1.01	1.19	0.04
Diluted EPS - as reported	2.18	1.12	1.29	0.04
Diluted EPS - pro forma	2.15	0.99	1.17	0.04

23. PERSONNEL EXPENDITURE AND DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2007			Year Ended December 31, 2008		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Personnel						
Salary	11,553,243	3,938,597	15,491,840	11,578,736	4,862,392	16,441,128
Pension cost	745,641	227,878	973,519	688,237	309,718	997,955
Labor and health insurance	851,918	291,508	1,143,426	861,532	306,506	1,168,038
Others	985,870	368,971	1,354,841	1,194,641	353,482	1,548,123
	14,136,672	4,826,954	18,963,626	14,323,146	5,832,098	20,155,244
Depreciation	14,668,139	890,583	15,558,722	15,360,782	972,733	16,333,515
Amortization	630,435	436,995	1,067,430	440,024	471,313	911,337

	Year Ended December 31, 2009			
	Cost of Revenues	Operating Expenses	Total	
	NT$	NT$	NT$	US$ (Note 2)
Personnel				
Salary	10,353,640	4,449,980	14,803,620	463,337
Pension cost	716,876	264,652	981,528	30,721
Labor and health insurance	786,049	304,170	1,090,219	34,123
Others	1,071,270	312,026	1,383,296	43,295
	12,927,835	5,330,828	18,258,663	571,476
Depreciation	15,800,086	975,843	16,775,929	525,068
Amortization	410,522	451,631	862,153	26,984

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			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Tax expense based on pre-tax income at statutory rates				
Domestic entities	3,403,967	2,006,503	1,799,140	56,311
Foreign entities	1,087,662	973,280	362,969	11,361
	4,491,629	2,979,783	2,162,109	67,672
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income	(1,016,270)	(598,361)	(654,839)	(20,496)
Other	(113,709)	23,908	271,352	8,493
Temporary differences				
Unrealized foreign exchange loss (gain)	18,212	235,882	(108,357)	(3,392)

(Continued)

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Loss (gain) on valuation of financial instruments	(77,130)	160,271	(148,735)	(4,655)
Others	(454,209)	(155,366)	(7,835)	(245)
	2,848,523	2,646,117	1,513,695	47,377
Loss carryforwards	77,863	151,359	28,774	901
Income tax on undistributed earnings	298,782	176,860	284,576	8,907
Credits for investments and research and development	(1,754,907)	(1,423,852)	(599,070)	(18,750)
Adjustment of prior year's income tax	(142,444)	16,076	27,203	851
Current income tax	1,327,817	1,566,560	1,255,178	39,286
Deferred income tax	2,029,567	701,722	229,744	7,190
Income tax expense	3,357,384	2,268,282	1,484,922	46,476

(Concluded)

In January 2009, the ROC Legislative Yuan passed the amendment of Article 39 of the ROC Income Tax Law, which extends the operating loss carryforward 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 reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective in 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Articles and recorded the resulting difference as a deferred income tax benefit or expense.

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

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Deferred income tax assets - current			
Unused tax credits	772,658	764,492	23,928
Unrealized foreign exchange loss	137,035	65,351	2,045
Others	384,268	203,234	6,361
	1,293,961	1,033,077	32,334
Valuation allowance	(208,513)	(139,455)	(4,365)
	1,085,448	893,622	27,969
Deferred income tax assets - noncurrent			
Unused tax credits	1,669,503	1,275,556	39,923
Accrued pension costs	596,522	555,673	17,392
Loss carryforwards	412,091	365,283	11,433
Depreciation	(344,156)	(119,960)	(3,755)
Others	141,024	51,812	1,622
	2,474,984	2,128,364	66,615
Valuation allowance	(845,275)	(507,347)	(15,879)
	1,629,709	1,621,017	50,736

(Continued)

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Deferred income tax liabilities - noncurrent			
Mainly depreciation differences	(151,729)	(180,955)	5,663

(Concluded)

The decrease in the valuation allowance for 2009 was mainly because management currently believes that achievement of the required future taxable income is more likely than not due to the recovery from the economic crisis. 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.

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.'s income from testing of semiconductors is exempt from income tax for five years ending December 2010.

3) A portion of PowerASE's income is exempt from income tax for five years ending September 2012.

4) 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 have not started will have their tax holidays become effective starting from the effective date of the amended tax laws, and those subsidiaries would be eligible for a five-year transition period to move up to 25% tax rate. The tax rates applied to above subsidiaries in China for 2008 and 2009 were 18% and 20%, respectively.

   In addition, ASE Shanghai and ASESH AT qualify as high technology enterprises which are entitled to research and development tax credits and a reduced tax rate of 15%. However, ASE Shanghai and ASESH AT 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.

5) ASE Singapore has been granted pioneer status under the provisions of the Economic Expansion Incentives (Relief from Income Tax) Act for its operation in Singapore for a qualifying period of 10 years commencing September 1, 1998. During the qualifying period, all income arising from pioneer status activities is exempt from income tax. The tax exempt period was approved to be extended for five years.

The per share effect of these tax holidays was NT$0.19, NT$0.11 and NT$0.13 (US$0.01) per share for the years ended December 31, 2007, 2008 and 2009, respectively.

c. As of December 31, 2009, unused tax credits, which may be utilized to offset future income tax, were set forth below:

Year of Expiry	Amount NT$	Amount US$ (Note 2)
2010	503,375	15,755
2011	561,687	17,580
2012	399,473	12,503
2013	507,168	15,874
2014 and thereafter	68,345	2,139
	2,040,048	63,851

d. Loss carryforwards as of December 31, 2009 comprised of:

Year of Expiry	Amount NT$	Amount US$ (Note 2)
2015	78,350	2,452
2016	9,281	291
2017	65,105	2,038
2018	141,969	4,443
2019 and thereafter	70,578	2,209
	365,283	11,433

Income tax returns of ASE Inc. have been examined by the ROC tax authorities through 2004. ASE Inc. disagreed with the result of an examination relating to its income tax returns from 2002 to 2004 and applied for related tax relief and procedures. ASE Inc. has recognized the related income tax expense in 2006 and 2007 upon completion of examination. Income tax returns of other subsidiaries have been examined by the tax authorities through 2002 to 2008.

Information regarding Imputation Tax System

As of December 31, 2008 and 2009, the balance of the Imputation Credit Account (“ICA”) amounted to NT$57,415 thousand and NT$517,526 thousand (US$ 16,198 thousand), respectively. The creditable ratio for the distribution of 2008 and 2009 earnings is 9.83% (actual) and 11.65% (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 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 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

25. EARNINGS PER SHARE

	Year Ended December 31							
	2007		2008		2009			
	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	2.55	2.26	1.36	1.14	1.49	0.05	1.31	0.04
Diluted EPS	2.46	2.18	1.33	1.12	1.47	0.05	1.29	0.04

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Year ended December 31, 2007					
Basic EPS					
Income attributable to shareholders of the parent	13,729,800	12,165,249	5,390,907	2.55	2.26
Effect of dilutive potential common stock					
Convertible bonds	177,111	139,635	179,120		
Employee stock options issued by ASE Inc.	-	-	63,118		
Employee stock options issued by subsidiaries	(24,660)	(24,660)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	13,882,251	12,280,224	5,633,145	2.46	2.18
Year ended December 31, 2008					
Basic EPS					
Income attributable to shareholders of the parent	7,341,503	6,160,052	5,392,872	1.36	1.14
Effect of dilutive potential common shares					
Bonus to employees	-	-	25,472		
Convertible bonds (Expired in September, 2008)	-	-	6,164		
Employee stock options issued by ASE Inc.	-	-	32,848		
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	5,457,356	1.33	1.12
Year ended December 31, 2009					
Basic EPS					
Income attributable to shareholders of the parent	7,667,691	6,744,546	5,162,884	1.49	1.31
Effect of dilutive potential common shares					
Bonus to employees	-	-	26,383		
Employee stock options issued by ASE Inc.	-	-	18,307		
Bonus to employees and employee stock options issued by subsidiaries	(26,472)	(26,472)	-		

(Continued)

	Amounts (Numerator)		Number of	EPS	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	7,641,219	6,718,074	5,207,574	1.47	1.29

(Concluded)

	Amounts (Numerator)		Number of	EPS	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
	US$ (Note 2)	US$ (Note 2)		US$ (Note 2)	US$ (Note 2)
Year ended December 31, 2009					
Basic EPS					
Income attributable to shareholders of the parent	239,990	211,097	5,162,884	0.05	0.04
Effect of dilutive potential common shares					
Bonus to employees	-	-	26,383		
Employee stock options issued by ASE Inc.	-	-	18,307		
Bonus to employees and employee stock options issued by subsidiaries	(829)	(829)	-		
Diluted EPS					
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	239,161	210,268	5,207,574	0.05	0.04

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

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 resolves the number of shares to be distributed to employees at their meeting in the following year.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31					
	2008		2009			
	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	536,427	536,427	974,702	30,507	974,702	30,507
Available-for-sale financial assets - current	279,812	279,812	3,995,524	125,056	3,995,524	125,056
Bond investments with no active market - current	450,000	450,000	-	-	-	-
Guarantee deposits - current	16,074	16,074	256,876	8,040	256,876	8,040
Financial assets carried at cost - noncurrent	547,368		692,059	21,661		
Bond investments with no active market - noncurrent	-	-	96,090	3,007	96,090	3,007
Guarantee deposits - noncurrent	45,150	45,150	50,628	1,585	50,628	1,585
Restricted assets	191,416	191,416	177,565	5,557	177,565	5,557
Liabilities						
Long-term bonds payable (including current portion)	1,375,000	1,344,379	-	-	-	-
Long-term bank loans (including current portion)	52,510,410	51,510,410	49,999,902	1,564,942	49,999,902	1,564,942
Capital lease obligations (including current portion)	39,060	39,060	15,773	493	15,773	493
Derivative financial instruments						
Assets						
Forward exchange contracts	1,053	1,053	24,648	771	24,648	771
Swap contracts	-	-	17,605	551	17,605	551
European foreign currency options contracts	-	-	7,756	243	7,756	243
Liabilities						
Interest rate swap contract	391,904	391,904	311,778	9,758	311,778	9,758
Swap contracts	61,257	61,257	50,468	1,580	50,468	1,580
Cross currency swap contracts	-	-	122,495	3,834	122,495	3,834
Forward exchange contracts	21,410	21,410	24,062	753	24,062	753

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 (including receivables from related parties), 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 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 debt other than bonds payable were mainly floating; therefore, their fair values approximate carrying amounts. Fair value of bonds payable was based on their quoted market price.

c. Valuation gains from changes in fair value of financial instruments determined using valuation techniques were NT$147,498 thousand, NT$251,616 thousand and NT$361,085 thousand (US$11,302 thousand) for the years ended December 31, 2007, 2008 and 2009, respectively.

d. As of December 31, 2008 and 2009, financial assets exposed to fair value interest rate risk amounted to NT$53,544 thousand and NT$21,562 thousand (US$675 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT$215,927 thousand and NT$103,718 thousand (US$3,246 thousand), respectively, financial assets exposed to cash flow interest rate risk amounted to NT$16,263,728 thousand and NT$17,465,721 thousand (US$546,658 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT$61,302,873 thousand and NT$61,106,915 thousand (US$1,912,579 thousand), respectively.

e. For the years ended December 31, 2007, 2008 and 2009, interest income of NT$348,660 thousand, NT$326,772 thousand and NT$173,870 thousand (US$5,442 thousand), and interest expense (including capitalized interest) of NT$1,698,939 thousand, NT$1,973,684 thousand and NT$1,680,978 thousand (US$52,613 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, corporate bonds and publicly traded stocks, which are subject to market risk. The fair value of these funds will decrease by NT$49,702 thousand (US$1,556 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, corporate bonds and publicly traded stocks are traded in active markets and can be disposed of quickly at close to their fair values. The Company's bond investment 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$611,069 thousand (US$19,126 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 receivable from affiliates.

1) The outstanding interest rate swap contracts of ASE Inc. as of December 31, 2008 and 2009 were as follows:

Maturity Date	Notional Amount (In Thousands)		Interest Rate Paid (%)	Interest Rate Received (%)	Further Cash Demand	Expected Period for the Recognition of Gains or Losses from Hedge
December 31, 2008						
2013.03.01	NTD	12,000,000	2.45-2.48	1.88	2008-2013	2008-2013
December 31, 2009						
2013.03.01	NTD	11,220,000	2.45-2.48	0.50	2008-2013	2008-2013
2013.03.01	NTD	5,142,500	0.96-0.99	0.50	2009-2013	2009-2013
2011.05.27	USD	200,000	1.48-1.55	0.23	2009-2011	2009-2011

The fair value of the above interest rate swap contracts as of December 31, 2008 and 2009 was a loss of NT$391,695 thousand and NT$311,778 thousand (US$9,758 thousand), respectively, and was recorded as unrealized loss on cash flow hedging financial instruments.

For the years ended December 31, 2008 and 2009, the increase of unrealized loss on cash flow hedging financial instruments was NT$403,687 thousand and NT$201,465 thousand (US$6,306 thousand), respectively, and the amount recorded as interest expense was NT$11,992 thousand and 281,382 thousand (US$8,807 thousand), respectively.

2) The outstanding cross currency swap contract of ASE Inc. as of December 31, 2009 was as follows:

Maturity Date	Notional Amount (In Thousands)	NT Interest Rate Paid (Received) (%)	USD Interest Rate Received (%)
2010.03.15-2010.09.28	USD130,000 / NTD4,290,950	(0.21)-0.90	0.23-0.91

The fair value of the above cross currency swap contract as of December 31, 2009 was a loss of NT$122,495 thousand (US$3,834 thousand) (recorded as hedging derivative liabilities-current), which was recorded as foreign exchange losses of NT$127,050 thousand (US$3,977 thousand) and a deduction in unrealized loss on cash flow hedging financial instruments of NT$4,555 thousand (US$143 thousand), respectively. For the year ended December 31, 2009, the amounts recognized as a deduction of interest expense and a gain on valuation of financial assets were NT$29,358 thousand (US$919 thousand) and $2,000 thousand (US$63 thousand), respectively.

ASESH AT entered into an interest rate swap contract in 2009. For the year ended December 31, 2009, net gains from the interest rate swap contract were NT$3,878 thousand (US$ 121 thousand) and were recorded as a deduction of interest expense; unrealized gains from the interest rate swap contract were NT$47,847 thousand (US$ 1,498 thousand) and were recorded as unrealized gain (loss) on financial instruments. The unrealized gains will be recorded as a deduction of interest expense over the term of the long-term loan, which is being hedged. The contract will mature in March 2013.

ASE Test, Inc. entered into cross currency swap contracts in 2007 and 2008. Net gains from cross currency swap contracts for hedging purposes were NT$5,475 thousand (recorded as a deduction in interest income of NT$16,273 thousand and foreign exchange gains of NT$21,748 thousand) and NT$ 58,282 thousand (recorded as a deduction in interest income of NT$24,514 thousand and foreign exchange gains of NT$82,796 thousand) for the years ended December 31, 2007 and 2008, respectively.

27. RELATED PARTY TRANSACTIONS

The related parties and their relationships with the Company are disclosed in Note 12 to the consolidated financial statements, except Hung Ching Shin Investment Co., a subsidiary of one of ASE Inc.'s equity method investees. Besides, PSC and NXP B.V. continue to exercise significant influence over PowerASE and ASEN, respectively, therefore they are also deemed related parties of the Company.

Except the transactions as discussed in Note 15 to the consolidated financial statements, the Company purchased real estate properties from HCDC for NT$141,238 thousand in 2007 and the prices were based on their fair market values as assessed by appraisers. As of December 31, 2008, all of the amounts had been paid.

The Company contracted with HCDC for factory and office building construction, but the contract was terminated in 2008. As a result of the termination, NT$36,000 thousand was paid by the Company to HCDC and was recorded as non-operating losses in 2008.

In July 2006, ASE Inc. entered into an agreement with PSC to form a joint venture company, PowerASE. In consideration of strategic purposes and the short-term financing requirement, ASE Inc. loaned NT$450,000 thousand (US$14,085 thousand) to PSC for repayment of its corporate bonds on July 30, 2009, and recorded the financing as other receivable from related parties. The receivable will be repaid through June 2010 with an interest rate of 2.5%. For the year ended December 31, 2009, ASE Inc. recognized interest income of NT4,777 thousand (US$150 thousand). Also, PSC has pledged 42,614 thousand shares of common stocks of its investee, Rexchip Electronics Corp., as collateral for the loan. ASE Inc. assessed that the above financing provided to PSC is collectible at maturity and the value of the collateral approximates the financing amount.

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

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Salary, incentives and special compensation	545,656	455,078	402,520	12,598
Bonus	102,635	71,453	81,806	2,561
	648,291	526,531	484,326	15,159

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008.

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 guaranty deposits for employment of foreign labor, etc:

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Property, plant and equipment			
Land	511,644	497,441	15,569
Buildings and improvements	2,073,292	1,901,477	59,514
Machinery and equipment	434,907	93,348	2,922
Restricted assets	191,416	177,565	5,557
Construction in progress related to property development	1,144,113	-	-
	4,355,372	2,669,831	83,562

29. COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2009, the outstanding derivative contracts and covenants of loan agreements were discussed in Note 5 and Note 19 to the consolidated financial statements, respectively.

b. ASE Inc. and ASE Test, Inc. lease the land on which their buildings are situated under various operating lease agreements with the ROC government expiring on various dates through August 2019. 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, 2009 were as follows:

	Amount	
	NT$	US$ (Note 2)
2010	274,774	8,600
2011	80,973	2,534
2012	50,046	1,566
2013	40,999	1,283
2014 and thereafter	281,584	8,813
Total minimum lease payments	728,376	22,796

c. As of December 31, 2009, unused letters of credit of the Company were approximately NT$322,000 thousand (US$10,078 thousand).

d. As of December 31, 2009, commitments to purchase machinery and equipment of the Company were approximately NT$4,897,000 thousand (US$153,271 thousand), of which NT$106,495 thousand (US$3,333 thousand) had been prepaid.

e. As of December 31, 2009, outstanding commitments related to construction of buildings of the Company were approximately NT$4,115,000 thousand (US$128,795 thousand), of which NT$2,006,800 thousand (US$62,811 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, 2007, 2008 and 2009 were approximately NT$246,849 thousand, NT$199,195 thousand and NT$200,590 thousand (US$6,278 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"). At Tessera's request, the United States International Trade Commission ("ITC") instituted an investigation of certain of the Company's co-defendants and other companies.

   The district court in the California Litigation has vacated the trial schedule and stayed all proceedings pending a final resolution of the first ITC investigation. At Tessera's request in May 2008, ITC instituted an investigation of ASE Inc., ASEUS, ASE Test and other co-defendants. However, Tessera moved to terminate the investigation in July 2009. 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.

   As of April 28, 2010, the impact of the California Litigation or the ITC Investigation cannot be estimated.

30. SUBSEQUENT EVENT

As discussed in Note 12 to the consolidated financial statements, the period of the tender offer for the common shares of USI launched by the Company expired on February 3, 2010 and the total number of common shares of USI tendered was 641,669 thousand with a total consideration of NT$13,475,056 thousand (US$ 421,754 thousand). The number of common shares of ASE Inc. to be transferred and delivered by J&R Holding and ASE Test is 218,167 thousand and the cash consideration of NT$8,228,140 thousand (US$257,532 thousand) has been paid by ASE Inc. out of the funds available from the long-term credit facility for acquisition of the additional 60.0% ownership of USI. As a result of the acquisition of USI shares, the Company has owned 78.1% of the outstanding common shares of USI and USI's operations will be consolidated with the Company's commencing on February 9, 2010. On April 19, 2010, ASE Inc.'s board of directors further approved to purchase in cash all outstanding USI shares, not owned by the Company, at the price of NT$21 per share. USI also convened its board meeting on April 19, 2010 to resolve the delisting application for USI shares.

31. SEGMENT AND GEOGRAPHICAL INFORMATION

a. Geographical sales and long-lived assets information

1) Net revenues:

	Year Ended December 31						
	2007		2008		2009		
	NT$	% of Total Revenues	NT$	% of Total Revenues	NT$	US$ (Note 2)	% of Total Revenues
America	50,389,904	50	50,082,695	53	45,109,107	1,411,865	52
Taiwan	21,413,369	21	18,681,217	20	17,815,026	557,591	21
Asia	16,760,893	17	12,950,935	14	12,050,672	377,173	14
Europe	12,597,299	12	12,714,009	13	10,800,509	338,044	13
Others	1,604	-	2,056	-	-	-	-
	101,163,069	100	94,430,912	100	85,775,314	2,684,673	100

2) Long-lived assets:

	December 31				
	2008		2009		
	NT$	%	NT$	US$ (Note 2)	%
Taiwan	44,802,206	53	42,914,804	1,343,187	54
Asia	39,090,983	46	35,686,149	1,116,937	45
America	864,795	1	762,907	23,878	1
	84,757,984	100	79,363,860	2,484,002	100

b. Major customers

For the years ended December 31, 2007, 2008 and 2009, 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 has three reportable segments: Packaging, testing and other. 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; 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, 2007, 2008 and 2009 was as follows:

	Packaging	Testing	Other	Total
	NT$	NT$	NT$	NT$
2007				
Revenue from external customers	78,516,274	20,007,839	2,638,956	101,163,069
Inter-segment revenues	222,086	45,576	8,769,842	9,037,504
Interest income	229,917	85,363	33,380	348,660
Interest expense	(773,671)	(87,635)	(713,218)	(1,574,524)
Net interest expense	(543,754)	(2,272)	(679,838)	(1,225,864)
Depreciation and amortization	(9,379,964)	(5,410,619)	(1,835,569)	(16,626,152)
Segment profit (loss)	14,544,571	5,340,978	(1,222,840)	18,662,709
Segment assets	91,802,902	36,968,716	23,605,832	152,377,450
Expenditures for segment assets	10,502,494	6,330,268	1,339,393	18,172,155
Goodwill	1,040,509	1,708,255	439,353	3,188,117
2008				
Revenue 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)	7,666,072	4,153,091	(573,754)	11,245,409
Segment assets	80,552,601	48,609,998	23,027,388	152,189,987
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				
Revenue from external customers	67,935,456	15,795,108	2,044,750	85,775,314
Inter-segment revenues	3,309,104	85,605	11,445,929	14,840,638
Interest income	96,409	58,309	19,152	173,870
Interest expense	(1,258,295)	(23,156)	(226,572)	(1,508,023)
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)	6,673,183	2,738,527	(397,367)	9,014,343
Segment assets	91,769,196	43,106,391	27,185,309	162,060,896
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	Testing	Other	Total
	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)	US$ (Note 2)
2009				
Revenue from external customers	2,126,305	494,370	63,998	2,684,673
Inter-segment revenues	103,571	2,679	358,245	464,495
Interest income	3,017	1,825	600	5,442
Interest expense	(39,383)	(725)	(7,092)	(47,200)
Net interest income (expense)	(36,366)	1,100	(6,492)	(41,758)
Depreciation and amortization	(315,920)	(180,770)	(55,362)	(552,052)
Segment profit (loss)	208,863	85,713	(12,437)	282,139
Segment assets	2,872,275	1,349,183	850,870	5,072,328
Expenditures for segment assets	295,059	94,320	5,986	395,365
Goodwill	43,206	238,339	13,260	294,805

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. The Company adopted the amended U.S. GAAP guidance on December 31, 2006.

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 or stock 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 bonuses paid in stock, 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).

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 are different from the financial statements of such equity method investees prepared under U.S. GAAP mainly due to the differences in accounting for bonuses to employees, directors and supervisors, stock options and the depreciation of buildings. 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 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, effective January 1, 2005, 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 should 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 NT$2,190,583 thousand of 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 2007 and 2008 is treated as an additional reduction to retained earnings and an increase to capital surplus of NT$14,264 million and NT$687 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, 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. The Company has not granted or modified employee stock options since January 1, 2008. No stock-based compensation expense was recognized under ROC GAAP for the years ended December 31, 2007, 2008 and 2009.

j. Goodwill

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), 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, 2008 and 2009.

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 (the "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, the fair value is estimated according to the best information available at the reporting date. No impairment charge was incurred under U.S. GAAP in 2007, 2008 and 2009. The accumulated GAAP difference of NT$2,078,620 thousand was caused by the impairment charges recorded in 2002 and 2004.

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, effective January 1, 2007, 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. The adoption of the U.S. guidance relating to accounting for uncertainty in income taxes resulted in a cumulative effect of NT$24,154 thousand, which was recorded as an adjustment to retained earnings at the beginning of 2007 (Note 33h).

n. Earnings per share

Under ROC GAAP, basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding in each period, which is retroactively adjusted to the beginning of the year for stock dividends and stock bonuses issued subsequently. Starting from 2008, shares issued to employees for stock bonuses are included in the calculation of weighted-average number of shares outstanding from the date of issuance. Under U.S. GAAP, basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding in each period, which is retroactively adjusted for stock dividends issued subsequently. For stock bonuses to employees, shares are included in the calculation of weighted-average number of shares outstanding from the date of issuance. 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. However, the calculation of share using the treasury stock method is different between U.S. GAAP and ROC GAAP.

The U.S. guidance on applying the treasury stock method for equity instruments granted in share-based payment transactions in determining diluted earnings per share states that the assumed proceeds shall be the sum of (a) the exercise price, (b) the amount of compensation cost attributed to future services and not yet recognized, and (c) the amount of excess tax benefits that would be credited to additional paid-in capital assuming exercise of the options. Prior to January 1, 2006, the Company used the intrinsic value method to account for its stock-based compensation under the U.S. guidance, and had no unrecognized compensation cost to be included in the assumed proceeds. However, upon adoption of the U.S. guidance relating to share-based payment, the Company has unrecognized compensation cost, and therefore, the number of shares included in the diluted earnings per share calculation under U.S. GAAP is different from that under ROC GAAP.

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			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Net income				
Net income based on ROC GAAP	13,994,484	7,207,483	6,903,468	216,071
Adjustments:				
a. Pension benefits	4,382	1,920	(10,692)	(335)
b. Bonuses to employees, directors and supervisors	(2,054,493)	(328,013)	(3,394)	(106)
c. Depreciation of buildings	(116,574)	(117,394)	(115,766)	(3,623)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	432	432	432	13
f. Effect of U.S. GAAP adjustments on equity method investments	(26,414)	5,453	(59,876)	(1,874)
g. Impairment of long-lived assets				
Depreciation and gain on recoveries related to restoration of impaired machinery and equipment	313,277	195,790	97,598	3,055
i. Stock-based compensation	(489,490)	(84,835)	(983,309)	(30,776)
k. Undistributed earnings tax	122,448	(215,601)	(213,418)	(6,680)
m. Uncertainty in income taxes adjustment upon adoption of related U.S. guidance	24,154	-	-	-
Income tax effect of U.S. GAAP adjustments	(43,603)	(19,599)	(94,666)	(2,963)
Net decrease in net income	(2,265,881)	(561,847)	(1,383,091)	(43,289)
Net income based on U.S. GAAP	11,728,603	6,645,636	5,520,377	172,782
Attributable to				
Shareholders of the parent	9,931,106	5,492,101	5,317,509	166,432
Noncontrolling interest	1,797,497	1,153,535	202,868	6,350
	11,728,603	6,645,636	5,520,377	172,782
Earnings per share (Note 33g)				
Basic	1.87	1.02	1.03	0.03
Diluted	1.81	1.01	1.02	0.03

(Continued)

	Year Ended December 31			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Earnings per ADS (Note 33g)				
Basic	9.34	5.11	5.15	0.16
Diluted	9.03	5.04	5.11	0.16
Number of weighted average outstanding shares (in thousands) (Note 33g)				
Basic	5,317,695	5,368,718	5,162,884	
Diluted	5,566,118	5,405,280	5,180,663	
Number of ADS (in thousands) (Note 33g)				
Basic	1,063,539	1,073,744	1,032,577	
Diluted	1,113,224	1,081,057	1,036,133	

(Concluded)

	December 31			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Shareholders' equity				
Shareholders' equity based on ROC GAAP	89,739,888	71,960,742	74,713,694	2,338,458
Adjustments:				
a. Pension benefits and additional liability				
Pension benefits	62,600	64,520	53,828	1,685
Unrecognized pension cost on adoption of the amended U.S. guidance relating to pension	(613,362)	(613,362)	(613,362)	(19,198)
Defined benefit pension plan adjustment	(26,153)	(627,783)	(596,400)	(18,666)
b. Bonuses to employees, directors and supervisors	(1,241,391)	3,394	-	-
c. Depreciation of buildings	(698,861)	(816,255)	(932,021)	(29,171)
d. Depreciation on the excess of book value of buildings transferred between subsidiaries	(13,167)	(12,735)	(12,303)	(385)
e. Gain on sale of subsidiary's stock	(8,619)	(8,619)	(8,619)	(270)
f. Effects of U.S. GAAP adjustments on equity method investments	273,901	594,283	259,879	8,134
g. Impairment loss reversal, net	(1,791,675)	(1,595,885)	(1,498,287)	(46,895)
i. Stock-based compensation	(908,661)	(908,661)	(908,661)	(28,440)
j. Goodwill				
Amortization	3,041,351	3,041,351	3,041,351	95,191
Impairment loss	(1,600,618)	(1,600,618)	(1,600,618)	(50,098)
From ASE Test Acquisition	-	(174,864)	(174,864)	(5,473)
k. Undistributed earnings tax	(177,990)	(393,591)	(607,009)	(18,999)
l. Impairment loss on equity method investments	(2,078,620)	(2,078,620)	(2,078,620)	(65,059)
Income tax effect of U.S. GAAP adjustments	592,022	572,423	477,757	14,953
Net decrease in shareholders' equity	(5,189,243)	(4,555,022)	(5,197,949)	(162,691)
Shareholders' equity based on U.S. GAAP	84,550,645	67,405,720	69,515,745	2,175,767

	Year Ended December 31			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Changes in shareholders' equity based on U.S. GAAP				
Balance, beginning of year	71,605,363	84,550,645	67,405,720	2,109,725
Net income for the year	11,728,603	6,645,636	5,520,377	172,782
Adjustment for bonuses to employees, directors and supervisors	1,634,513	973,593	-	-
Adjustment for stock option compensation	489,490	84,835	983,309	30,776
Translation adjustment	849,157	2,694,149	(1,164,331)	(36,442)
Adjustment from changes in ownership percentages of investees	15,867	1,014	1,396	44
Unrealized gain (loss) on available-for-sale financial assets	(13,882)	(450,261)	380,464	11,908

(Continued)

	Year Ended December 31			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Unrealized gain (loss) on cash flow hedging financial instruments	-	(391,695)	84,472	2,644
Issuance of common stock from stock options exercised by employees	962,240	237,383	103,584	3,242
Capital received in advance for stock options	491,883	3,387	135,205	4,232
Cash dividends	(6,941,011)	(9,361,728)	(2,736,568)	(85,652)
Conversion of convertible bonds	1,300,795	265,834	-	-
Cash dividends received by subsidiaries from parent company	271,945	535,100	160,895	5,036
Capital surplus from accrued interest on convertible bonds	728,254	-	-	-
Adjustment upon adoption of related U.S. guidance relating to uncertainty in income taxes	(24,154)	-	-	-
Adjustment related to treasury stock arising from changes in ownership percentage of subsidiaries	3,259	(3,522,406)	-	-
Effects of U.S. GAAP adjustments on equity method investments	(310,690)	314,929	(274,528)	(8,593)
Change in noncontrolling interest	1,283,507	1,435,527	213,335	6,677
Change in noncontrolling interest from acquisition of subsidiaries	489,134	(14,684,718)	-	-
Unrecognized pension cost	12,525	(223,885)	-	-
Defined benefit pension plan adjustment	(26,153)	(601,630)	16,688	523
Acquisition of treasury stock	-	(1,099,989)	(1,314,273)	(41,135)
Balance, end of year	84,550,645	67,405,720	69,515,745	2,175,767
Attributable to				
Shareholders of the parent	70,101,406	65,303,020	66,555,528	2,083,115
Noncontrolling interest	14,449,239	2,102,700	2,960,217	92,652
	84,550,645	67,405,720	69,515,745	2,175,767

(Concluded)

The following U.S. GAAP condensed consolidated balance sheets as of December 31, 2008 and 2009, and consolidated statements of income for the years ended December 31, 2007, 2008 and 2009 have been derived from the audited consolidated financial statements and reflect the adjustments presented above.

	December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Current assets	46,366,851	61,413,002	1,922,159
Long-term investments	2,842,701	3,341,249	104,578
Property, plant and equipment, net	82,694,497	77,869,151	2,437,219
Intangible assets	12,940,638	12,522,837	391,951
Other assets	3,963,509	2,814,192	88,081
Total assets	148,808,196	157,960,431	4,943,988
Current liabilities	25,267,300	34,574,089	1,082,131
Long-term debts	51,622,187	49,392,114	1,545,918
Other liabilities	4,512,989	4,478,483	140,172
Total liabilities	81,402,476	88,444,686	2,768,221
Equity attributable to shareholders of the parent	65,303,020	66,555,528	2,083,115
Noncontrolling interest in consolidated subsidiaries	2,102,700	2,960,217	92,652
Total liabilities and shareholders' equity	148,808,196	157,960,431	4,943,988

	Year Ended December 31			
	2007 (Note)	2008 (Note)	2009	
	NT$	NT$	NT$	US$ (Note 2)
Net revenues	101,163,069	94,430,912	85,775,314	2,684,673
Cost of revenues	75,345,304	73,315,552	68,546,415	2,145,427
Gross profit	25,817,765	21,115,360	17,228,899	539,246
Operating expenses	10,898,110	10,615,048	9,431,512	295,196
Income from operations	14,919,655	10,500,312	7,797,387	244,050
Net non-operating income (expenses)	71,382	(1,351,194)	(484,004)	(15,149)
Income before income tax	14,991,037	9,149,118	7,313,383	228,901
Income tax expense	3,262,434	2,503,482	1,793,006	56,119
Net income	11,728,603	6,645,636	5,520,377	172,782
Attributable to				
Shareholders of the parent	9,931,106	5,492,101	5,317,509	166,432
Noncontrolling interest	1,797,497	1,153,535	202,868	6,350
	11,728,603	6,645,636	5,520,377	172,782

Note: Prior to the adoption of the new guidance for noncontrolling interest in consolidated financial statements issued by FASB in December 2007, the noncontrolling interest in the income of subsidiaries is deducted in arriving at net income. Upon the adoption of the new guidance beginning from January 1, 2009, the noncontrolling interest forms part of net income. In addition, prior to the adoption of the new guidance, the noncontrolling interest in subsidiaries is classified as a mezzanine equity. Upon the adoption of the new guidance beginning from January 1, 2009, the non-controlling interest in subsidiaries is classified as a separate component of shareholders' equity and the presentation and disclosure requirements of the new guidance are applied retrospectively for all periods presented. Therefore, from January 1, 2009, there are no differences in presentation for non-controlling interest (or minority interest as referred to under ROC GAAP) between ROC GAAP and US GAAP.

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

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Net cash inflow (outflow) from:				
Operating activities	27,475,586	30,129,594	15,517,228	485,672
Investing activities	(18,108,361)	(36,359,167)	(15,980,715)	(500,179)
Financing activities	(7,657,695)	14,461,587	(2,778,549)	(86,965)
Net increase (decrease) in cash and cash equivalents	1,709,530	8,232,014	(3,242,036)	(101,472)
Cash and cash equivalents, beginning of year	15,730,075	17,157,935	26,138,930	818,120
Effect of exchange rate changes	(281,670)	748,981	(339,400)	(10,623)
Cash and cash equivalents, end of year	17,157,935	26,138,930	22,557,494	706,025

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.

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 April 2009, the FASB issued a standard that provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased. It also included guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. This standard is effective for the Company for the year ended December 31, 2009. The Company believes the adoption of the guidance has no material impact on its consolidated financial position or results of operations.

In April 2009, the FASB issued a standard that provides guidance on the recognition and presentation of other-than-temporary impairments of debt securities classified as available-for-sale and held-to-maturity. This standard is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of the guidance did not have a material impact on the Company's consolidated financial position and results of operations.

In May 2009 and subsequently updated in February 2010, the FASB issued new guidance on subsequent events that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. This standard defines two types of subsequent events, recognized or nonrecognized. The new guidance is effective for the Company for the year ended December 31, 2009.

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. 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 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 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 June 2009, the FASB issued its Accounting Standards Codification ("ASC") 105, which became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities law are also sources of authoritative U.S. GAAP for SEC registrants. The ASC became effective for the financial statements issued for interim and annual periods ending after September 15, 2009 and superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the ASC will become nonauthoritative. The FASB will not issue new standards in the form of Statements (SFAS's) FASB Staff Positions (FSP's) or Emerging Issues Task Force Abstracts (EITF's), but rather it will issue Accounting Standards Updates (ASU's). FASB will not consider the ASU's as authoritative in their own right as they will only serve to update the ASC, provide background information about guidance and provide the bases for conclusions on the changes in the ASC. The Company has adopted the ASC effective for its December 31, 2009 annual report on Form 20-F and has revised the disclosure of the U.S. GAAP source references in its financial reporting upon such adoption.

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.

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			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Components of net periodic benefit cost				
Service cost	382,371	333,538	369,833	11,575
Interest cost	86,490	107,726	106,430	3,331
Expected return on plan assets	(37,312)	(46,788)	(35,621)	(1,115)
Amortization	10,955	14,185	55,718	1,744
Curtailment gain	-	(4,177)	-	-
Net periodic benefit cost	442,504	404,484	496,360	15,535
Changes in benefit obligation				
Benefit obligation at beginning of year	4,474,962	4,851,185	5,773,799	180,714
Service cost	382,371	333,538	369,833	11,575
Interest cost	86,490	107,726	106,430	3,331
Curtailment effect	(13,562)	(4,177)	(57,266)	(1,792)
Actuarial gain	112,780	650,236	13,295	416
Benefits paid	(245,692)	(274,252)	(403,267)	(12,622)
Exchange loss (gain)	53,836	109,543	(32,678)	(1,023)
Benefit obligation at end of year	4,851,185	5,773,799	5,770,146	180,599

(Continued)

	Year Ended December 31			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Change in plan assets				
Fair value of plan assets at beginning of year	1,657,132	2,132,706	2,055,781	64,344
Actual return (loss) on plan assets	41,577	(144,737)	70,896	2,219
Employer contribution	485,244	153,370	194,889	6,100
Benefits paid	(48,285)	(93,653)	(220,541)	(6,903)
Translation adjustment	(2,962)	8,095	(3,431)	(108)
	2,132,706	2,055,781	2,097,594	65,652
Unfunded status	2,718,479	3,718,018	3,672,552	114,947

(Concluded)

Actuarial assumptions:

	December 31		
	2007	2008	2009
Discount rate	2.25% to 4.90%	2.00% to 4.90%	2.25% to 4.92%
Increase in future salary level	2.50% to 5.00%	2.50% to 5.00%	2.50% to 5.00%
Expected rate of return on plan assets	2.50% to 3.00%	2.25% to 2.50%	1.50% to 2.50%

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

c. Marketable securities

At December 31, 2008 and 2009, marketable securities by category were as follows:

	December 31									
	2008			2009						
	Adjusted Cost	Fair Value	Unrealized Holding Gross Losses	Cost		Fair Value		Unrealized Holding Gross Gains (Losses) (Within One Year)	
	NT$	NT$	NT$	NT$	US$ (Note 2)	NT$	US$ (Note 2)	NT$	US$ (Note 2)
Available-for-sale									
Open-end mutual funds	-	-	-	3,770,000	117,997	3,770,435	118,011	435	14
Corporate bonds	550,000	550,000	-	200,000	6,260	198,730	6,220	(1,270)	(40)
Publicly traded stocks	187,201	179,812	(7,389)	21,033	658	26,359	825	5,326	167
Convertible bonds	-	-	-	96,090	3,007	96,090	3,007	-	-
	737,201	729,812	(7,389)	4,087,123	127,922	4,091,614	128,063	4,491	141

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

As of December 31, 2009, maturity dates of the corporate bonds are December 24, 2015 and October 8, 2016.

The Company uses the average cost method for available-for-sale securities when determining their cost basis. Proceeds from sales of available-for-sale securities for the years ended December 31, 2007, 2008 and 2009 were NT$11,825,157 thousand, NT$16,714,277 thousand and NT$38,971,185 thousand (US$1,219,755 thousand), respectively. Gross realized gains on these sales for the years ended December 31, 2007, 2008 and 2009 were NT$111,749 thousand, NT$198,059 thousand and NT$8,235 thousand (US$258 thousand), respectively. Gross realized losses on these sales for the years ended December 31, 2007, 2008 and 2009 were NT$163 thousand, NT$66,038 thousand and NT$27,673 thousand (US$866 thousand), respectively. The other than temporary or realized loss on impairment of available-for-sale financial assets was nil for the years ended December 31, 2007 and 2009. For the year ended December 31, 2008, the other than temporary or realized loss on impairment of available-for-sale financial assets was NT$149,954 thousand.

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, using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense for the year ended December 31, 2006 included stock-based compensation expense for all share-based payment awards granted prior to but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provision of the U.S. guidance relating to accounting for stock-based compensation. 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 these compensation costs using the graded vesting method over the requisite service period of the award, which is generally a five-year vesting period. In March 2005, the SEC issued an interpretation relating to share-based payment and the value of share-based payments for public companies. The Company has applied the interpretation relating to share-based payment.

In December 2007, the SEC issued an amendment for prior interpretation regarding the use of the simplified method in developing estimates of the expected life of stock options in accordance with the guidance relating to share-based payment. The amendment allowed the continued use, subject to specific criteria, of the simplified method in estimating the expected life of stock options granted after December 31, 2008. The Company has not granted any employee stock options since January 1, 2008.

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

ASE Inc. and ASE Mauritius Inc. Option Plan

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, 2007	10,325,038	10.34	
Options exercised	(1,200,503)	8.98	
Options forfeited	(401,363)	14.00	
Outstanding options at December 31, 2007	8,723,172	10.36	
Options exercised	(8,085,352)	9.69	
Options forfeited	(637,820)	18.92	
Outstanding options at December 31, 2008	-	-	$ -

Total intrinsic value of options exercised for the years ended December 31, 2007 and 2008 was US$4,952 thousand and US$40,074 thousand, respectively.

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

	Year Ended December 31, 2007
Risk-free interest rate	3.88%-4.88%
Expected life	3-5 years
Expected volatility	59.06%-62.03%
Expected dividend yield	-

e. In accordance with the U.S. guidance relating to reporting comprehensive income, the statements of comprehensive income for the years ended December 31, 2007, 2008 and 2009 are presented below:

	Year Ended December 31			
	2007	**2008**	**2009**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Net income based on U.S. GAAP	11,728,603	6,645,636	5,520,377	172,782
Other comprehensive income (loss), net of tax:				
Translation adjustments	849,157	2,694,149	(1,164,331)	(36,442)
Unrealized gain (loss) on financial instruments	(13,882)	(841,956)	464,936	14,552
Unrecognized pension cost	(13,628)	(825,515)	16,688	523
Comprehensive income	12,550,250	7,672,314	4,837,670	151,415
Attributable to				
Shareholders of the parent	10,752,753	6,518,779	4,198,139	131,398
Noncontrolling interest	1,797,497	1,153,535	639,531	20,017
	12,550,250	7,672,314	4,837,670	151,415

f. Goodwill

On January 1, 2002, the Company adopted the U.S. guidance relating to goodwill and other intangible assets, which requires that goodwill no longer be amortized, and instead, be tested for impairment on at least an annual basis.

As of December 31, 2008 and 2009, the Company had goodwill of NT$9,804,680 thousand and NT$9,767,594 thousand (US$305,715 thousand), respectively, primarily from the reporting unit of testing operation.

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2009, by reporting units, were as follows:

	Packaging	Testing	Other	Total	
	NT$	NT$	NT$	NT$	US$ (Note 2)
Balance as of January 1, 2008	1,170,031	2,029,705	511,834	3,711,570	116,168
Goodwill acquired	315,657	5,780,726	-	6,096,383	190,810
Translation adjustment	5,370	(8,845)	202	(3,273)	(102)
Balance as of December 31, 2008	1,491,058	7,801,586	512,036	9,804,680	306,876
Translation adjustment	(10,689)	(25,996)	(401)	(37,086)	(1,161)
Balance as of December 31, 2009	1,480,369	7,775,590	511,635	9,767,594	305,715

g. 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			
	2007	2008	2009	
	NT$	NT$	NT$	US$ (Note 2)
Basic EPS				
Income attributable to shareholders of the parent	9,931,106	5,492,101	5,317,509	166,432
Effect of ASE Test and ASE Mauritius Inc.'s stock option plans	(20,185)	(42,696)	(26,411)	(827)
Interest on convertible bonds, net of tax	139,635	-	-	-
Diluted EPS				
Income attributable to shareholders of the parent plus effect of potential dilutive common stock	10,050,556	5,449,405	5,291,098	165,605
Weighted average outstanding shares (in thousands)				
Basic	5,317,695	5,368,718	5,162,884	
Effect of dilutive potential common stock	248,423	36,562	17,779	
Diluted	5,566,118	5,405,280	5,180,663	

For the years ended December 31, 2007, 2008 and 2009, 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.

h. 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, 2008 and 2009:

	Year Ended December 31		
	2008	2009	
	NT$	NT$	US$ (Note 2)
Balance, beginning of year	18,405	19,820	620
Increase related to current year tax positions	1,415	-	-
Translation adjustment	-	(501)	(15)
Balance, end of year	19,820	19,319	605

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 and 2009, the total amount of interest expense and penalties related to tax uncertainty was approximately NT$4,614 thousand and NT$2,375 thousand (US$74 thousand), respectively. The total amount of interest and penalties recognized as of December 31, 2008 and 2009 was NT$17,424 thousand and NT$19,799 thousand (US$620 thousand), respectively.

i. 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.

For investments other than derivative financial instruments, the Company uses quoted prices in active markets for identical assets to determine fair value where applicable.

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

The following table presents our assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 and 2009:

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
December 31, 2008				
Assets				
Derivative financial assets				
Forward exchange contracts	-	1,053	-	1,053
Marketable securities - trading				
Publicly traded stocks	536,427	-	-	536,427
Marketable securities - available-for-sale				
Corporate bonds	100,000	-	450,000	550,000
Publicly traded stocks	179,812	-	-	179,812
	816,239	1,053	450,000	1,267,292
Liabilities				
Derivative financial liabilities				
Swap contracts	-	61,257	-	61,257
Forward exchange contracts	-	21,410	-	21,410
Interest rate swap contracts	-	391,904	-	391,904
	-	474,571	-	474,571
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
Publicly traded 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, 2009				
Assets				
Derivative financial assets				
Forward exchange contracts	-	771	-	771
Swap contracts	-	551	-	551
European foreign currency option contracts	-	243	-	243
Marketable securities - trading				
Open-end mutual funds	30,507	-	-	30,507
Marketable securities - available-for-sale				
Open-end mutual funds	118,011	-	-	118,011

(Continued)

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Corporate bonds	6,220	-	-	6,220
Convertible bonds	-	-	3,007	3,007
Publicly traded stocks	825	-	-	825
	155,563	1,565	3,007	160,135
Liabilities				
Derivative financial liabilities				
Swap contracts	-	1,580	-	1,580
Forward exchange contracts	-	753	-	753
Interest rate swap contracts	-	9,758	-	9,758
Cross currency swap contracts	-	3,834	-	3,834
	-	15,925	-	15,925

(Concluded)

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, 2009:

	NT$	US$
Balance, beginning of year	450,000	14,085
Purchase	97,740	3,059
Disposal	(450,000)	(14,085)
Translation adjustment	(1,650)	(52)
Balance, end of year	96,090	3,007

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 during the years ended December 31,2008 and 2009:

	Balance	Level 1	Level 2	Level 3	Total Losses
	NT$	NT$	NT$	NT$	NT$
December 31, 2008					
Financial assets carried at cost	10,236	-	-	10,236	21,395
December 31, 2009					
Idle assets	-	-	-	-	11,117

	Balance	Level 1	Level 2	Level 3	Total Losses
	US$	US$	US$	US$	US$
December 31, 2009					
Idle assets	-	-	-	-	348

The Company evaluated its financial assets carried at cost for impairment by using valuation models based on future cash flow because there are no quoted fair value for such investments. Financial assets carried at cost held with a carrying amount of NT$31,631 thousand were written down to their fair value of NT$10,236 thousand, resulting in an impairment loss of NT$21,395 thousand, which was included in earnings for the year ended December 31, 2008.

j. Acquisition

ASE Test Acquisition

As discussed in Note 2 to the consolidated financial statements, 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, and the purchase price has 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	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 represents what a firm would be willing to pay ASE Test in order to exploit revenue associated with existing customers relationships and is 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 years ended December 31, 2007 and 2008 under U.S. GAAP as though the ASE Test Acquisition had occurred at the beginning of each of the periods presented. The unaudited pro forma financial information is not necessarily indicative of the consolidated results of operations in future periods or the results that actually would have been realized had the Company and ASE Test 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 with respect to the combined companies. Prior to the acquisition of the additional interest, ASE Test was consolidated within the Company's consolidated financial statements with appropriate amount reflected as noncontrolling interest.

	Year Ended December 31,	
	2007	**2008**
	NT$	**NT$**
Net revenues	101,163,069	94,430,912
Cost of revenues	75,345,304	73,315,552
Gross profit	25,817,765	21,115,360
Operating expenses	10,898,110	10,615,048
Income from operations	14,919,655	10,500,312
Non-operating income (expenses)	71,382	(1,351,194)
Income before income tax	14,991,037	9,149,118
Income tax expense	3,262,434	2,503,482
Net income	11,728,603	6,645,636
Attributable to		
Shareholders of the parent	11,238,650	5,998,109
Noncontrolling interest	489,953	647,527
	11,728,603	6,645,636
Earnings per share (NT$)	2.11	1.12
Basic EPS		
Diluted EPS	2.04	1.10

USI Acquisition

As discussed in Note 12 and Note 30, the Company acquired an additional 60.0% of USI's outstanding common shares on February 9, 2010. The USI Acquisition will be accounted for in accordance with the amended U.S. guidance relating to business combination and non-controlling interest in consolidated financial statements. The Company has not yet completed the initial accounting for the USI acquisition.

The following unaudited pro forma information is for illustrative purposes only and presents the results of operations for the years ended December 31, 2007, 2008 and 2009 and under U.S. GAAP as though the USI Acquisition had occurred at the beginning of each of the periods presented. The unaudited pro forma financial information is not necessarily indicative of the consolidated results of operations in future periods or the results that actually would have been realized had the Company and USI 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 with respect to the combined companies.

	Year Ended December 31			
	2007	**2008**	**2009**	
	NT$	**NT$**	**NT$**	**US$ (Note 2)**
Net revenues	166,285,132	159,222,300	137,273,051	4,296,496
Net income	12,918,242	6,872,836	6,841,111	214,119