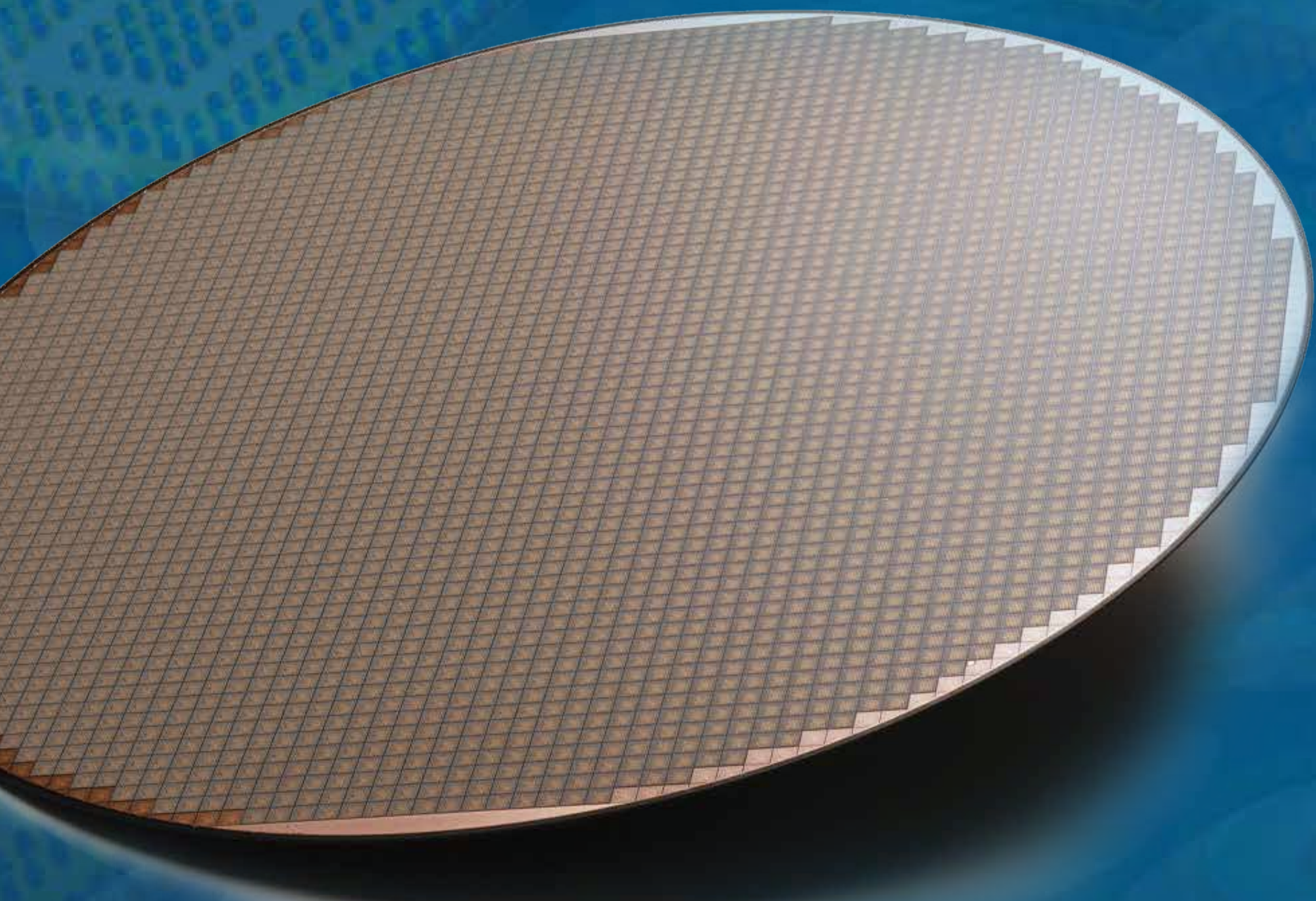
Annual Report 2013

Innovate
Create
Deliver



STATSChipPAC®

Corporate Profile

STATS ChipPAC Ltd. ("STATS ChipPAC" or "the Company" - SGX-ST: STATSChP) is a leading provider of advanced semiconductor packaging and test services. STATS ChipPAC's full turnkey semiconductor solutions include package design, bump, probe, assembly, test and distribution services. We have the scale to provide a comprehensive range of semiconductor packaging and test solutions to a diversified global customer base servicing the communication, consumer and computing markets.

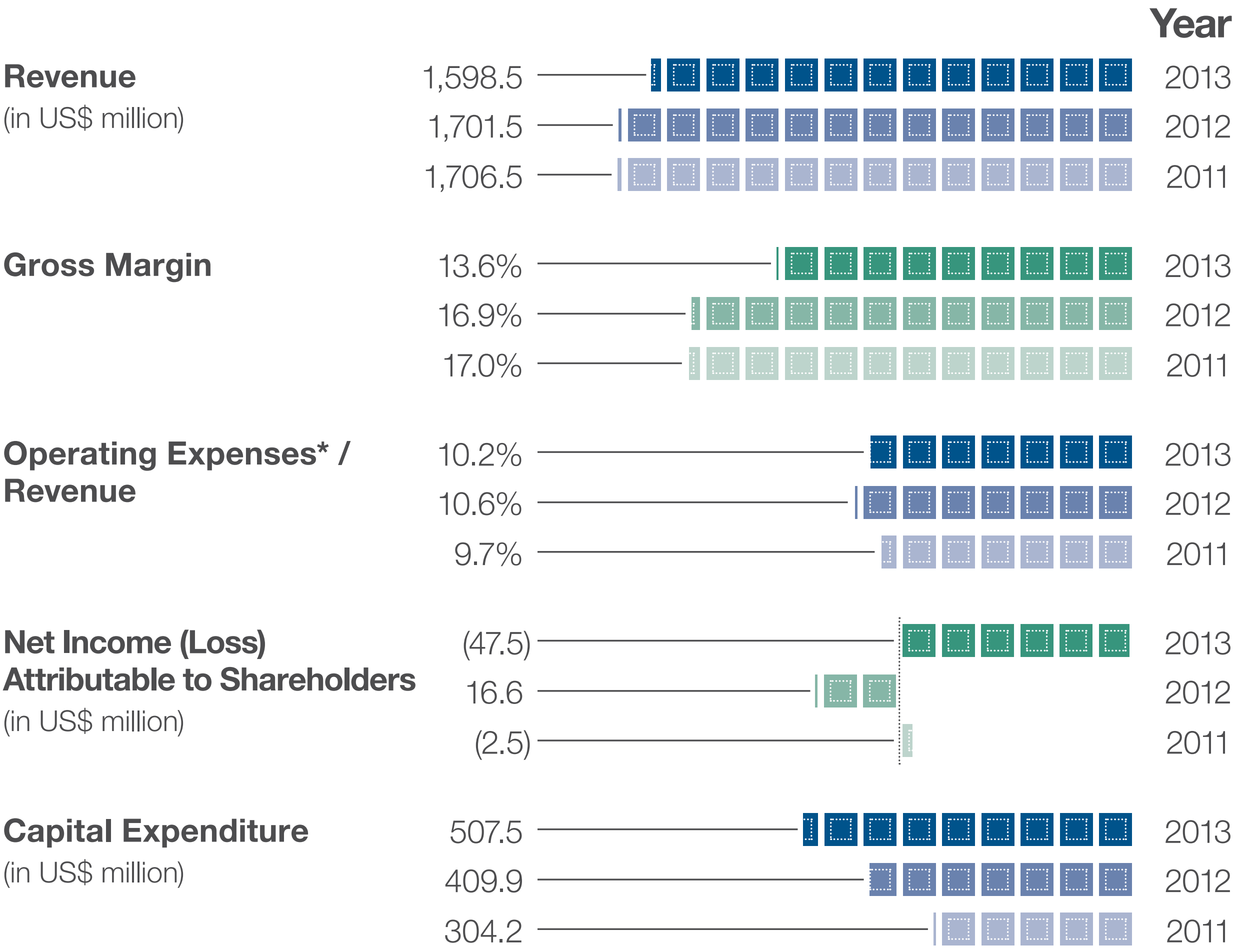
With a strong technology portfolio ranging from flip chip, wafer level and advanced 2.5D/3D packages to leadframe and laminate based packages, STATS ChipPAC provides customers with innovative and cost-effective semiconductor solutions. We have a leadership position in advanced packaging technology including fan-in and fan-out wafer level packaging, flip chip interconnect, 2.5D/3D integration and Through Silicon Via ("TSV") to meet the increasing market demand for next-generation electronic devices with higher levels of integration, increased functionality and compact sizes. We provide wafer probe and final testing on a diverse selection of test platforms, with expertise in testing a broad variety of semiconductors for mixed-signal, radio frequency, analog and high-performance digital devices.

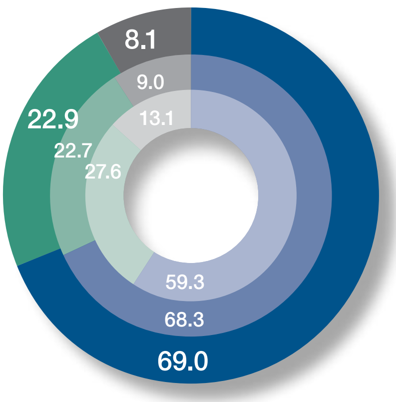
We have an established presence in the major hubs of semiconductor manufacturing which allows us to provide customers with fully-integrated, multi-site, end-to-end packaging and test services. With corporate headquarters in Singapore, our global manufacturing facilities are located in South Korea, Singapore, China, Malaysia and Taiwan (which includes our 52%-owned subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation). We market our services through our direct sales force in the United States, South Korea, Japan, China, Singapore, Taiwan and Switzerland.

STATS ChipPAC is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). Further information is available at www.statschippac.com. Information contained in this website does not constitute a part of this Annual Report 2013 (the "Annual Report").

Forward-looking Statements

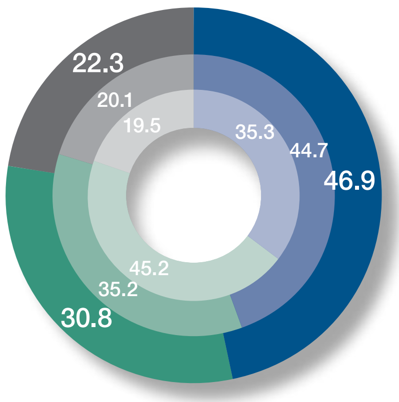
Certain of the statements in this Annual Report including the market research outlook for the semiconductor industry are forward-looking statements, that involve a number of risks and uncertainties that could cause actual results to differ materially. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "target," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," or the negative of these terms or other comparable terminology. Factors that could cause actual results to differ include, but are not limited to, general business and economic conditions and the state of the semiconductor industry; prevailing market conditions; demand for end-use applications products such as communications equipment, consumer and multi-applications and personal computers; decisions by customers to discontinue outsourcing of test and packaging services; level of competition; our reliance on a small group of principal customers; our continued success in technological innovations; pricing pressures, including declines in average selling prices; intellectual property rights disputes and litigation; our ability to control operating expenses; our substantial level of indebtedness and access to credit markets; potential impairment charges; availability of financing; changes in our product mix; our capacity utilisation; delays in acquiring or installing new equipment; limitations imposed by our financing arrangements which may limit our ability to maintain and grow our business; returns from research and development investments; changes in customer order patterns; customer credit risks; disruption of our operations; shortages in supply of key components and disruption in supply chain; inability to consolidate our Malaysia operations into our China operations and uncertainty as to whether such plan will achieve the expected objectives and results; loss of key management or other personnel; defects or malfunctions in our testing equipment or packages; rescheduling or cancelling of customer orders; adverse tax and other financial consequences if the taxing authorities do not agree with our interpretation of the applicable tax laws; classification of our Company as a passive foreign investment company; our ability to develop and protect our intellectual property; changes in environmental laws and regulations; exchange rate fluctuations; regulatory approvals for further investments in our subsidiaries; majority ownership by Temasek Holdings (Private) Limited ("Temasek") that may result in conflicting interests with Temasek and our affiliates; unsuccessful acquisitions and investments in other companies and businesses; labour union problems in South Korea; uncertainties of conducting business in China and changes in laws, currency policy and political instability in other countries in Asia; natural calamities and disasters, including outbreaks of epidemics and communicable diseases; the continued trading and listing of our ordinary shares on the Singapore Exchange Securities Trading Limited ("SGX-ST"). You should not unduly rely on such statements. We do not intend, and do not assume any obligation, to update any forward-looking statements to reflect subsequent events or circumstances.





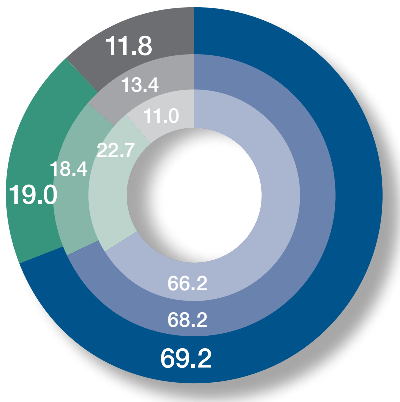
Revenue
by End User Market (%)

2013 12 11
- Communications
- Consumer, Multi-Applications & Others
- Personal Computers



Revenue
by Product Line (%)

2013 12 11
- Advanced Packaging
- Wirebond Packaging
- Test



Revenue
by Region (%)

2013 12 11
- US
- Asia
- Europe

* Before exceptional items

Dear Shareholders,

The year 2013 was difficult and disappointing for our Company. Revenue declined 6% to $1.6 billion in 2013 compared to $1.7 billion in 2012. Gross margin for 2013 was 13.6% compared to 16.9% in 2012. Operating profit in 2013, which excluded exceptional items, was 3.4% of revenue compared to 6.3% in 2012.

Net loss in 2013 was $47.5 million compared to a net income of $16.6 million in 2012. The financial results in 2013 were affected by exceptional charges from the Malaysia factory closure of $36.9 million and debt refinancing charges of $18.1 million, offset by income from the Thailand flood insurance recovery of $19.6 million.

After three years of growth in the mobile communications market, our largest segment, we faced a bifurcation of the smartphone market in 2013. The high-end smartphone segment where we achieved strong results in prior years encountered decelerating demand while the low-cost smartphone segment where we have a more limited presence experienced strong growth. Slowing demand in the personal computer and consumer markets also impacted our results in 2013.

Revenue from the communications segment was over $1 billion for the third consecutive year, accounting for 69% of our revenue. Revenue in the personal computer and consumer segments declined moderately.

Our advanced packaging business performed well and contributed to 47% of revenue compared to 45% in the prior year as we saw traction in the number of new customers for our fan-out technology, known as eWLB (embedded Wafer Level Ball Grid Array), and production volume growth in wafer level packaging. With our continued focus on maximising test assets we achieved growth in our test business from 20% of revenue in 2012 to 22% in 2013.

In the year 2013, we successfully refinanced the $600.0 million of 7.5% Senior Notes due in 2015 with $611.2 million of 4.5% Senior Notes due in 2018 to lower interest costs and extend debt maturity.

Our goal is to deliver strong and consistent financial performance for our Company and our shareholders. We have taken decisive actions to drive improvement in our business. We completed an extensive analysis of our overall corporate strategy that resulted in several major decisions and initiatives for our Company:

- Consolidation of our wirebond business from the Malaysia factory into our China operation;
- Strategic investments in our industry leading advanced wafer level capabilities and capacity;

- Further market penetration in the consumer and cloud computing markets with our fcCuBE® technology;
- New business initiatives to diversify and expand our business in the low-cost smartphone, wired network and analog markets as well as the greater China region.

In terms of manufacturing, we reorganised our operations to heighten our focus on productivity improvements and drive aggressive cost reductions. These changes will strengthen our ability to drive operational excellence and customer satisfaction across all of our factories. The consolidation of our wirebond business from our Malaysia operation into our larger China operation will better position us to engage customers with a broader product offering at a more competitive cost structure. Our consolidation plan continues to be on track for completion by the end of 2014.

Our investments in advanced technologies, capabilities and manufacturing capacities in growth areas such as flip chip, wafer level packaging and test are essential to our long term success. Total capital expenditure in 2013 was $507.5 million, as we made a significant level of investment to expand production capacity in the higher growth advanced wafer level packaging business to support demand from emerging mobile chipsets and new product ramps in the global handset market. In September 2013, we ushered in a new phase of integrated operations in South Korea with the groundbreaking of a new 1.2 million square foot state-of-the-art facility in the Incheon Free Economic Zone (IFEZ). Scheduled to begin production in 2015, this new facility will increase our overall competitiveness in turnkey flip chip solutions, particularly with our patented fcCuBE® technology. Going forward, we expect a more normalised capital expenditure intensity as the investments in 2013 set the foundation for business expansion in 2014.

We continued to stay at the forefront of technological developments in advanced packaging and test. The expansion of our Singapore factory in 2013 will enable STATS ChipPAC to build on our leadership position in advanced wafer level technology research and development (R&D) and wafer level packaging. Investment in R&D was 2.9% of revenue in 2013 compared to 3.0% in 2012. The year 2013 was a success for technological accomplishments and included the following:

- Engagement with a number of new customers on our fan-out eWLB technology;
- Achieved an industry leading 40% height reduction in Package-on-Package (PoP) architecture with eWLB;
- Demonstrated the world's first Through Silicon Via (TSV) enabled three dimensional (3D) chip stacking technology developed under an open ecosystem collaboration;
- Continued to increase traction with customers on the adoption and production volume ramp of our innovative fcCuBE® technology.

In July 2013, we celebrated our 1,000th patent milestone. Since the inception of our Intellectual Property (IP) program in 2000, STATS ChipPAC has been granted more than 1,100 U.S. patents and more than 250 patents in Singapore, South Korea, Taiwan and other countries. We have more U.S. patents and applications than any other Outsourced Semiconductor Assembly and Test (OSAT) provider. Our strategic focus on advanced wafer level packaging, flip chip interconnect and 2.5D/3D integration has resulted in STATS ChipPAC being ranked for the third consecutive year in the top 20 semiconductor manufacturing companies by the Institute of Electrical and Electronics Engineers (IEEE). These successes are important to stay competitive and relevant in the low-cost smartphone, wired network and analog markets in addition to maximising our opportunities in the greater China region.

Recent market research data from industry analysts project the semiconductor industry to grow in the range of 4% to 5% in 2014. However, we expect the semiconductor market will not be immune to the persistent external headwinds in the global economy. We will continue to build the foundation for sustainable growth into the future. We have taken decisive steps to increase the diversity of our business and make our global manufacturing operations more robust and efficient in the current business environment and for the future.

On behalf of the Board of Directors and the management team, we would like to express our deep appreciation to Charles Wofford for his leadership and exceptional contributions over 15 years of service on our Board of Directors, including 11 years as Chairman of the Board. We would like to thank our customers, suppliers, employees and shareholders for their continued support.

James A. Norling
Chairman

Tan Lay Koon
Director, President and Chief Executive Officer

ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR 2013*

STATSChipPAC®

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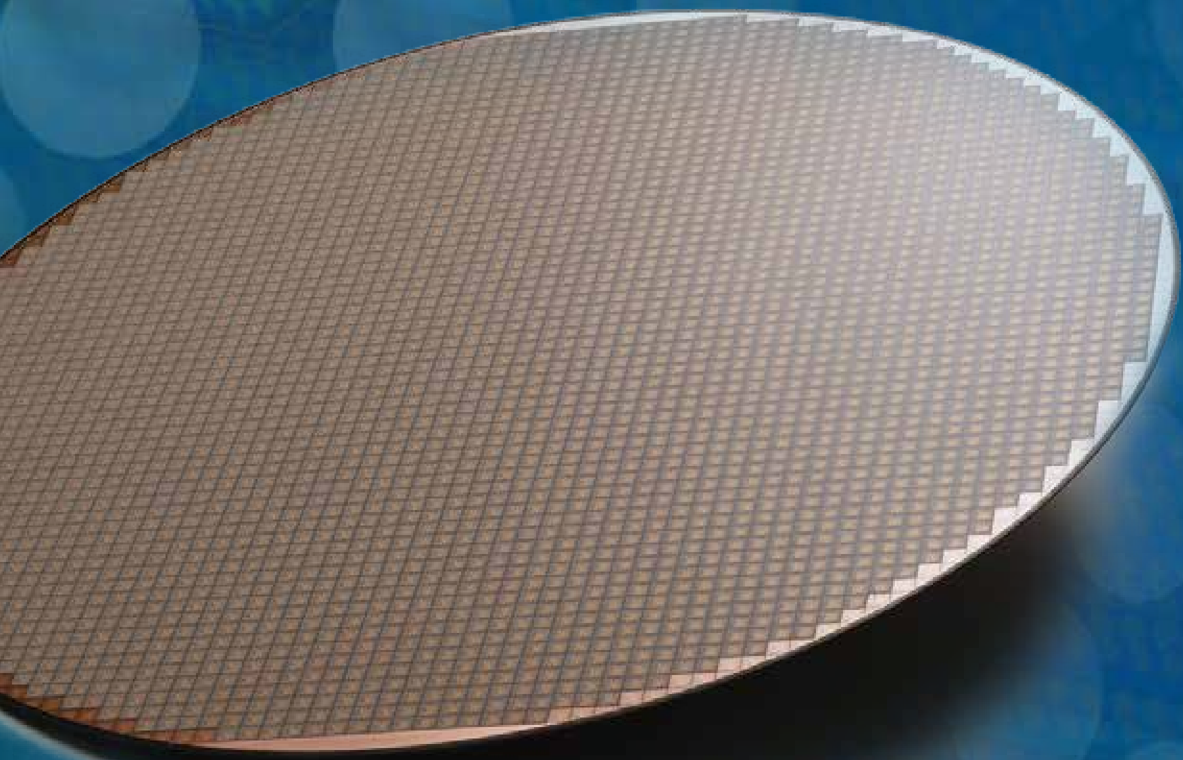

* This Annual Report has been prepared by STATS ChipPAC for the purpose of complying with the laws of Singapore. The financial information in this Annual Report is derived (unless otherwise indicated) from the consolidated financial statements of STATS ChipPAC which are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and included in this Annual Report.

All amounts are expressed in United States dollars unless otherwise indicated.

BOARD OF DIRECTORS

James A. Norling
Chairman of the Board
Mr. James A. Norling has been a member of our Board of Directors and the Chairman of our Board of Directors since April 2013. He also sits on the Board of Directors of Harley-Davidson Inc. Mr. Norling was the Chairman of GLOBALFOUNDRIES Inc. from February 2011 to December 2013 and Chairman of Chartered Semiconductor Manufacturing Ltd ("Chartered"), from 2002 until the company was acquired by Advanced Technology Investment Corporation in 2009. Mr. Norling also served as interim President and Chief Executive Officer of Chartered during 2002. He was President, Personal Communications Sector of Motorola, Inc., from 1999 to July 2000. Mr. Norling served as President, Europe, Middle East and Africa for Motorola, Inc. from 1993 to June 1999 and was concurrently Deputy to Chief Executive Officer from December 1998 to June 1999. Mr. Norling was President, Semiconductor Products Sector for Motorola, Inc. from 1986 to 1993, capping 28 years of experience in Motorola's semiconductor business. He received his Bachelor of Science and Master Degree from University of Illinois.

Tan Lay Koon
President and Chief Executive Officer
Mr. Tan Lay Koon has been our President and Chief Executive Officer and a member of our Board of Directors since June 2002. He was re-elected as a Director on 23 April 2012. Mr. Tan is also a non-executive director of Flextronics International Ltd. Mr. Tan joined us in May 2000 as our Chief Financial Officer and in August 2004, he led the formation of STATS ChipPAC with the acquisition of ChipPAC, Inc. and became our founding President and Chief Executive Officer. Prior to joining us, he was an investment banker with Salomon Smith Barney, the global investment banking unit of Citigroup Inc. Before that, he held various senior positions in government and financial institutions in Singapore. Mr. Tan graduated with a Bachelor of Engineering (First Class Honors) from the University of Adelaide, Australia as a Colombo Plan Scholar. He also has a Master of Business Administration (Distinction) from the Wharton School, University of Pennsylvania where he was elected a Palmer scholar.

Peter Seah Lim Huat
Mr. Peter Seah Lim Huat has been a member of our Board of Directors since July 2002. He was re-elected as a Director on 23 April 2012. Mr. Seah is the Chairman of DBS Group Holdings Ltd and DBS Bank Ltd. and sits on the Board of Directors of several other companies, including CapitaLand Limited and StarHub Ltd. His other appointments include serving as Chairman of Singapore Health Services Pte Ltd and LaSalle College of the Arts Limited. Mr. Seah also serves on the Board of Directors of GIC Private Limited. Mr. Seah has also been a member of the Temasek Advisory Panel since 1 January 2005. He was awarded the Distinguished Service Order in 2012 and the Public Service Star in 1999 by the Government of Singapore. Mr. Seah was the Chairman of Sembcorp Industries Ltd and Singapore Technologies Engineering Ltd, Deputy Chairman of Singapore Technologies Telemedia Pte. Ltd and director of Chartered and Siam Commercial Bank Pacific Company Limited. He was, until 31 December 2004, the President and Chief Executive Officer of Singapore Technologies Pte. Ltd. and a member of its Board of Directors. He was a banker for 33 years before retiring as the Vice Chairman and Chief Executive Officer of Overseas Union Bank Limited in 2001. Mr. Seah graduated from the University of Singapore in 1968 with an honors degree in Business Administration.

R. Douglas Norby
Mr. R. Douglas Norby has been a member of our Board of Directors since August 2004 and was appointed the Chairman of our Audit Committee in January 2007. He was re-appointed as a Director on 24 April 2013. Mr. Norby is also a director of Alexion Pharmaceuticals, Inc., Invensense, Inc., Magnachip Semiconductor Corporation and Singulex, Inc. and serves as the Chairman of each of the companies' audit committee. Mr. Norby was a member of the Board of Directors of ChipPAC, Inc. prior to the merger. He was Senior Vice President and Chief Financial Officer of Tessera from July 2003 to January 2006. Mr. Norby worked as a consultant for Tessera from May to July 2003. Mr. Norby was Senior Vice President and Chief Financial Officer of Zambeel, Inc. from March 2002 to February 2003. From December 2000 to March 2002, Mr. Norby was Senior Vice President and Chief Financial Officer of Novalux, Inc., and from 1996 to 2000, he was Executive Vice President and Chief Financial Officer of LSI Logic Corporation. He received his Bachelor of Arts in Economics from Harvard University and Master of Business Administration from Harvard Business School.

Teng Cheong Kwee

Mr. Teng Cheong Kwee has been a member of our Board of Directors since October 2006. He was re-elected as a Director on 24 April 2013. He was previously a member of our Board of Directors from January 2001 to August 2004 and was appointed as a member and the Chairman of our Audit Committee in January 2001 and January 2003, respectively. Mr. Teng is also a non-executive director of several other companies listed on the SGX-ST, including AEI Corporation Ltd, Techcomp (Holdings) Ltd, Memtech International Ltd, First Resources Ltd, AVIC International Maritime Holdings Ltd and Junma Tyre Cord Company Ltd. He previously sits on the Board of Directors of Sinomem Technology Ltd. Mr. Teng was the head of Risk Management & Regulatory Division of the Singapore Exchange Limited and has held various positions in regulatory and financial institutions including the Monetary Authority of Singapore. Mr. Teng has more than 20 years of experience in the finance industry. Mr. Teng received his Bachelor of Engineering (Industrial) (First Class Honors) and Bachelor of Commerce from the University of Newcastle in Australia.

Rohit Sipahimalani

Mr. Rohit Sipahimalani has been a member of our Board of Directors since April 2009. He was re-elected as a Director on 24 April 2013. Mr. Sipahimalani is also a director of several other companies, including Tata Sky Ltd and Godrej Agrovet. He previously sat on the board of Bharti Infratel Limited. He is currently the Co-head, Investment Group at Temasek International Pte Ltd and Head, India. Prior to joining Temasek in 2008, Mr. Sipahimalani was with Morgan Stanley for over 11 years, most recently serving as Managing Director, Head of South East Asia, Investment Banking. Mr. Sipahimalani joined Morgan Stanley in 1997 after spending three years with McKinsey & Co. Inc., where he was an Engagement Manager in their Mumbai office. Prior to that, he was at Citibank N.A. from 1989 to 1994. He received his Bachelor of Arts (Honors) in Economics from St. Stephen’s College, Delhi University and Masters of Business Administration from Indian Institute of Management, Ahmedabad, in India.

Pasquale A. Pistorio

Mr. Pasquale Antonio Pistorio has been a member of our Board of Directors since April 2012. He was re-appointed as a Director on 24 April 2013. He has been Honorary Chairman of STMicroelectronics group of companies since 2005. Mr. Pistorio’s other appointments include serving as a director of Brembo S.p.A and Atos S.A. He has also served as a director for Chartered, Telecom Italia S.p.A and Fiat S.p.A. Mr. Pistorio served as the President and Chief Executive Officer of SGS Microelectronica from 1980 until 1987. In May 1987, he led the successful integration of SGS Microelectronica with Thomson Semiconducteurs, forming STMicroelectronics. He became President and Chief Executive Officer of the newly formed STMicroelectronics and served in that capacity until 2005. Mr. Pistorio has received honorary degrees from the University of Genova, the University of Malta, the University of Pavia, the University of Catania, the University of Palermo, and the University of Sannio, Benevento. He holds an Electronics degree in Electrical Engineering from the Polytechnic of Turin.

Gary W. Tanner

Mr. Gary Windle Tanner has been a member of our Board of Directors since July 2012. He was re-appointed as a Director on 24 April 2013. He is currently Executive Vice President and Chief Operations Officer of International Rectifier Corporation. He previously served as Director, Chief Executive Officer and President of Zarlink Semiconductor, Inc. until it was acquired by Microsemi Corporation in October 2011. Before joining Zarlink in 2007, Mr. Tanner was Vice President of Operations of Legerity, Inc. from 2002 to 2007. During his tenure with Intel Corporation from 1993 to 2002, Mr. Tanner held various management positions managing multiple domestic and international locations. Prior to joining Intel in 1993, Mr. Tanner held various management roles in fab operations at National Semiconductor, Texas Instruments and NCR Corporation.

SENIOR MANAGEMENT

Wan Choong Hoe
Mr. Wan Choong Hoe joined us as our Chief Operating Officer in September 2004. Mr. Wan was previously Vice President and Managing Director responsible for Singapore and China operations for National Semiconductor Manufacturer Singapore Pte. Ltd. ("National Semiconductor"), a position he held since 1994. From 1986 to 1994, Mr. Wan held various positions in National Semiconductor as Director of Operations, Director of Logistics and Director of QRA. Prior to joining National Semiconductor in 1986, Mr. Wan held various positions at Texas Instruments Singapore Pte. Ltd. Mr. Wan holds a Bachelor of Electrical and Electronics Engineering from the University of Singapore.

Han Byung Joon
Dr. Han Byung Joon joined us as our Chief Technology Officer in December 1999. Prior to joining us, Dr. Han was Director of Product Development at Anam Semiconductor, Inc. and, prior to that, held various engineering positions with AT&T Bell Labs and IBM Corporation. He is responsible for R&D, product design, process engineering and marketing of advanced products. Dr. Han received his Doctorate in Chemical Engineering from Columbia University, New York. Dr. Han also attended the Harvard Business School's Executive Advanced Management Program.

Hal Lasky
Mr. Hal Lasky joined us as our Chief Sales Officer in March 2008. Prior to joining us, he spent 24 years at IBM where he held a number of key leadership positions, most recently as Vice President of Worldwide Semiconductor Sales for IBM's Microelectronics group with responsibility for worldwide semiconductor revenue, sales strategy and strategic relationships with clients in the consumer, communications and information technology markets. Prior to that, he held various senior management positions in IBM's Systems and Technology Group, Microelectronics Business Line and Interconnect Products Business Line. Mr. Lasky holds a Bachelor of Science degree in Ceramic Engineering from Rutgers University and a Master's degree in Materials Science and Engineering from Columbia University. He is also a graduate of the IBM Client Executive Program at Harvard Business School.

John Lau Tai Chong
Mr. John Lau joined us as Chief Financial Officer in October 2007. Prior to joining STATS ChipPAC, Mr. Lau was Chief Financial Officer at Abacus International Pte Ltd with responsibility for strategic and financial planning, controllership, tax planning, treasury and risk management, legal, and strategic investments. Prior to that, he was Vice President, Finance for Praxair Asia Inc. and held various senior management positions with Sembawang Corporation Ltd. Mr. Lau graduated with a Bachelor of Accountancy from the National University of Singapore. He also holds a Master of Business Administration from Golden Gate University in San Francisco, California.

Janet T. Taylor
Ms. Janet T. Taylor joined us as our General Counsel in June 2005. Ms. Taylor was appointed as Company Secretary in October 2010. Prior to joining our Company, Ms. Taylor practiced as a Foreign Legal Consultant at the law firm of Kartini Muljadi & Rekan in Indonesia. Ms. Taylor was counsel in the U.S. Securities Practice Group of Sidley Austin Brown & Wood's Singapore office from 2000 to 2002 and prior to that, a partner in the U.S. Securities Practice Group of Baker & McKenzie's Singapore office. In 1999, she joined the U.S. Securities Practice Group of Norton Rose's London office until she returned to Singapore in 2000. In 1993, she joined LeBoeuf, Lamb, Greene & MacRae's New York office until 1996 when she joined Baker & McKenzie's New York office and subsequently worked in Baker & McKenzie's Singapore and London offices. Ms. Taylor began her legal career in 1989 at Debevoise & Plimpton in New York. Ms. Taylor was admitted to the New York Bar in 1990 and as an advocate and solicitor of the Supreme Court of Singapore in September 2010. She holds a Juris Doctor from Harvard Law School, a Bachelor of Arts (History) from the University of Texas and a Bachelor of Business Administration (Accounting) from Sam Houston State University.

Chong Khin Mien

Mr. Chong Khin Mien joined us as the head of Product and Technology Marketing in March 2013. Prior to joining STATS ChipPAC, Mr. Chong spent 28 years at Avago Technologies, Agilent Technologies and Hewlett-Packard where he rose through the ranks in several business units including Navigation Interface Division, Mobile Input Device Operations and Motion Control Product Division. His most recent position at Avago Technologies was Vice President and General Manager of the Navigation Interface Division. Mr. Chong holds a Bachelor of Applied Science in Chemical Engineering (Honours) from Queen’s University, Ontario, Canada and a Master’s in Business Administration, University of Portsmouth, United Kingdom.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion of our business, financial condition and results of operations should be read in conjunction with our audited condensed consolidated financial statements and the related notes included in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in our Annual Report. Our 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. Our fiscal quarters end on a Sunday and our 52-week fiscal year 2013 ended on 29 December 2013, while our 53-week fiscal year 2012 ended on 30 December 2012.

The financial statements included in this release have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

Business Overview

We are a leading service provider of semiconductor packaging design, bump, probe, assembly, test and distribution solutions. We have the scale to provide a comprehensive range of semiconductor packaging and test solutions to a diversified global customer base servicing the computing, communications and consumer markets. Our services include:

- Advanced packaging and wirebond packaging services: providing advanced Integrated Circuit ("IC") packages technology such as wafer bump, redistribution layer design and fabrication, flip chip interconnect, fan-out wafer level package ("FOWLP") or embedded Wafer Level Ball Grid Array ("eWLB"), wafer level chip-scale package ("WLCSP"), Through Silicon Via ("TSV"), integrated passive devices ("IPD"), and wirebond IC packages such as leaded, laminate and memory card to customers for a wide variety of electronics applications. As part of our full turnkey packaging services, we offer package design; electrical, mechanical and thermal simulation; measurement and design of leadframes and laminate substrates; and wafer processing and bumping on 200mm and 300mm wafers with options for wafer repassivation, redistribution and IPD layers;

- Test services: including wafer probe and final testing on a diverse selection of test equipment covering the major test platforms in the industry. We have expertise in testing a broad variety of semiconductors, especially mixed-signal, radio frequency ("RF"), analog and high-performance digital devices. We also offer test-related services such as burn-in process support, reliability testing, thermal and electrical characterisation, dry pack, and tape and reel; and

- Pre-production and post-production services: such as package development, test software and related hardware development, warehousing and drop shipment services.

We are among the leaders in providing advanced package technology, such as flip chip, wafer level packaging and services (including TSV mid-end and back-end processes), die and package stacking, System-in-Package and 3D integration. We are also among the leaders in testing mixed-signal, RF semiconductors or semiconductors combining the use of analog and digital circuits in a chip. Mixed-signal and RF semiconductors are used extensively in communications and consumer applications. We have strong expertise in testing a wide range of high-performance digital devices in System-on-Chip ("SoC").

Results of Operations and Selected Data

(In US$ million)	Year Ended 29 December 2013	Year Ended 30 December 2012
Net revenues	1,598.5	1,701.5
Cost of revenues	(1,380.9)	(1,414.0)
Gross profit	217.6	287.5
Operating expenses:		
Selling, general and administrative	96.1	123.0
Research and development	46.5	51.7
Restructuring charges	1.9	5.7
Exchange offer and redemption expenses	15.7	–
Write-off of debt issuance cost	2.4	–
Operating expenses	162.6	180.4
Goodwill impairment	–	24.1
Equipment impairment	–	3.8
Total operating expenses	162.6	208.3
Operating income before exceptional items	55.0	79.2
Plant closure costs	(36.9)	–
Flood related insurance settlement	19.6	26.7
Flood related plan charges	(3.0)	(10.0)
Operating income after exceptional items	34.7	95.9
Other income (expenses), net:		
Interest income	1.3	1.5
Interest expense	(54.4)	(59.8)
Foreign currency exchange gain	3.6	0.6
Share of loss of associate	–	(0.7)
Other non-operating income (expenses), net	(2.0)	0.4
Total other expenses, net	(51.5)	(58.0)
Income (loss) before income taxes	(16.8)	37.9
Income tax expense	(22.3)	(14.0)
Net income (loss)	(39.1)	23.9
Less: Net income attributable to the non-controlling interest	(8.4)	(7.3)
Net income (loss) attributable to STATS ChipPAC Ltd.	(47.5)	16.6

Key Ratios and Information

	Year Ended 29 December 2013	Year Ended 30 December 2012
Gross margin	13.6%	16.9%
Operating expenses / revenue	10.2%	10.6%
Operating margin before exceptional items	3.4%	6.3%
Adjusted EBITDA[(1)] margin	24.5%	24.0%

Note:

(1) Adjusted EBITDA is not required by, or presented in accordance with, FRS. We define adjusted EBITDA as net income attributable to STATS ChipPAC Ltd. plus income tax expense, interest expense, net, depreciation and amortisation, restructuring charges, share-based compensation, goodwill and equipment impairment, tender offer, debt exchange or debt redemption expenses and write-off of debt issuance cost. Adjusted EBITDA excludes the plant closure costs related to our Malaysia plant and our restructuring actions. We present adjusted EBITDA as a supplemental measure of our performance. Management believes the non-FRS financial measure is useful to investors in enabling them to perform additional analysis.

Year Ended 29 December 2013 compared to Year Ended 30 December 2012

Net Revenues

We derive revenues primarily from the provision of advanced packaging, wirebond packaging and test services. Net revenues in 2013 were $1,598.5 million, a decrease of 6.1% compared to $1,701.5 million in 2012.

In 2013, our advanced packaging revenues decreased by 1.5% to $749.0 million, compared to 2012, due to lower demand in wafer level packaging and advanced packaging for the wireless communications market, and the benefit of an extra week in 2012. In 2013, our wirebond packaging revenues decreased by 17.7% to $492.3 million, compared to 2012, due to a combination of demand weakness in the personal computers, consumer, multi-applications and other markets, transition of technology from leaded wirebonding to advanced packaging and the benefit of an extra week in 2012. In 2013, our test services revenue increased by 4.2% to $357.2 million, compared to 2012. Our revenue from copper wirebond packaging accounted for 33.9% of our total wirebond packaging revenue in 2013, compared to 17.8% in 2012.

Gross Profit

Gross profit in 2013 was $217.6 million, compared to $287.5 million in 2012. Gross profit as a percentage of revenues was 13.6% in 2013, compared to 16.9% in 2012. Gross profit for 2013 decreased mainly due to lower revenue compared to 2012. Overall equipment utilisation was approximately 66% in 2013 compared to 75% in 2012. Our cost of revenues consist principally of fixed costs such as depreciation and leasing expenses and variable costs such as direct and indirect labour, materials and overhead expenses.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of payroll-related costs for administrative personnel, external fees such as consultancy, legal, administrative, profession and regulatory fees and depreciation of equipment used in selling, general and administrative activities. Selling, general and administrative expenses were $96.1 million in 2013, a decrease of 21.8% compared to $123.0 million in 2012. The decrease was primarily due to litigation settlement charges recorded in 2012 and lower payroll-related costs in 2013. As a percentage of revenues, selling, general and administrative expenses were 6.0% in 2013, compared to 7.2% in 2012.

Research and Development

Research and development expenses consist primarily of payroll-related cost for research and development, external fees such as consultancy and legal, and depreciation of equipment and consumables used in research and development activities. Research and development expenses were $46.4 million in 2013, compared to $51.7 million in 2012. The decrease of 10.2% in research and development expenses in 2013 was primarily due to lower payroll-related costs and lower headcount following completion of certain packaging development initiatives. As a percentage of revenues, research and development expenses were 2.9% in 2013, compared to 3.0% in 2012.

Restructuring Charges

In 2013, we recorded severance and related charges of $1.9 million related to our announced restructuring actions to reduce operating costs in operations and support functions to align costs with business conditions. In 2012, severance and related charges of $5.7 million were incurred.

Exchange Offer and Redemption Expenses and Write-Off of Debt Issuance Costs

In 2013, we recorded $14.1 million of redemption premium expenses related to redemption of the outstanding $241.6 million of 7.5% Senior Notes due 2015 and $1.6 million of exchange offer expenses related to the cash portion of our exchange offer of the 7.5% Senior Notes due 2015 for the 4.5% Senior Notes due 2018. We further recorded $2.4 million on write-off of debt issuance costs in 2013 in connection with the exchange offer and redemption of the 7.5% Senior Notes due 2015. No exchange offer and redemption expenses or write-off of debt issuance costs were incurred in 2012.

Plant Closure Costs

In 2013, we recorded plant closure costs of $36.9 million related to our intended closure of our Malaysia plant. The costs comprise employee severance and benefit costs of $18.2 million, non-cash asset impairment charges of $17.7 million and other associated costs of $1.0 million. No plant closure costs were incurred in 2012.

Flood Related Plan Income (Expenses)

In 2013, we recognised $19.6 million of insurance settlement as final compensation for our business interruption insurance claims related to the flood in Thailand. This insurance recovery was in addition to the $26.7 million obtained in 2012. In 2013, we incurred flood related plan charges totalling $3.0 million which primarily relate to additional land and building impairment on the Thailand plant. Flood related plan charges of $10.0 million in 2012 primarily relate to depreciation on suspended production operations and labour and other expenses to support production shift from the Thailand plant to other manufacturing locations of STATS ChipPAC.

Net Interest Income (Expense)

Net interest expense was $53.1 million in 2013, compared to $58.3 million in 2012. Interest income was $1.3 million in 2013 and $1.5 million in 2012.

Interest expense was $54.4 million in 2013, compared to $59.8 million in 2012. The decrease in interest expense in 2013 was mainly due to lower interest rate on our long-term borrowings as we refinanced our $600.0 million of 7.5% Senior Notes due 2015 with $611.2 million of 4.5% Senior Notes due 2018, offset by higher borrowings. Total outstanding interest-bearing debt was $912.2 million and $843.3 million as of 29 December 2013 and 30 December 2012, respectively.

Foreign Currency Exchange Gain (Loss)

Net foreign currency exchange gain was $3.6 million in 2013, compared to $0.6 million in 2012. The increase is primarily due to the exchange gain in 2013 arising from the return of capital in Thailand.

Other Non-Operating Income (Expenses), Net

Net other non-operating expense was $2.0 million in 2013, compared to net other non-operating income of $0.4 million in 2012. Other non-operating expenses in 2013 primarily relate to the lease termination cost of $2.0 million.

Income Tax Expense

Our consolidated income tax expense was $22.3 million in 2013, compared to $14.0 million in 2012, based on the mix of tax rates and taxable income across the various jurisdictions in which we do business. Our primary tax jurisdictions are Singapore, South Korea, China, Malaysia, Taiwan, Thailand and the United States.

Balance Sheet

(In US$ million)	29 December 2013	30 December 2012
Cash, cash equivalents and bank deposits	182.8	210.6
Working capital	54.0	219.3
Property, plant and equipment	1,431.2	1,243.0
Total assets	2,377.7	2,268.3
Net assets	970.8	1,022.6
Short-term borrowings	37.9	50.7
Long-term borrowings	874.3	792.6
Total liabilities	1,406.9	1,245.7
Equity attributable to equity holders of STATS ChipPAC Ltd.	917.4	970.8
Non-controlling interest	53.4	51.8
Total equity	970.8	1,022.6

Total Group assets increased $109.4 million to $2,377.7 million as of 29 December 2013 compared to $2,268.3 million as of 30 December 2012, mainly due to an increase in plant and equipment by $188.2 million, partially offset by a decrease in cash, cash equivalents and bank deposits by $27.8 million, accounts receivables by $19.6 million and inventories by $19.1 million.

The Group had cash, cash equivalents and bank deposits of $182.8 million as of 29 December 2013 compared to $210.6 million as of 30 December 2012. The decrease in cash, cash equivalents and bank deposits was mainly due to the financing activities including the redemption of the outstanding $241.6 million of our 7.5% Senior Notes due 2015 on 19 April 2013 with proceeds from the $255.0 million of 4.5% Senior Notes due 2018 issued in March 2013 and funding of capital expenditures. The decrease in accounts receivable was mainly due to timing of cash collections and cash realisation program (refer to Note 7 of the consolidated financial statements). The decrease in inventories was due to lower advance purchase of raw materials. The increase in property, plant and equipment was due to our capital expenditure of $507.5 million, partially offset by depreciation of $296.1 million and property, plant and equipment impairment of $17.7 million in 2013 related to the intended closure of our Malaysia plant.

Total Group liabilities increased $161.2 million to $1,406.9 million as of 29 December 2013 compared to $1,245.7 million as of 30 December 2012, mainly due to an increase in short and long-term borrowings by $68.9 million, payables related to property, plant and equipment purchases by $99.3 million, and accrued operating expenses by $11.2 million, and partially offset by a decrease in accounts and other payables by $26.3 million. The increase in short and long-term borrowings was mainly for working capital and capital expenditure funding. The increase in payables related to property, plant and equipment purchases was mainly due to higher capital expenditures. The increase in accrued operating expenses was mainly due to the provision for employee severance and benefit costs and reclassification of employee benefits from long-term to short-term as the realisation of these liabilities are expected within the next twelve months with the intended closure of our Malaysia plant. The decrease in accounts and other payables was mainly due to timing of payment.

Total shareholders' equity attributable to STATS ChipPAC Ltd. decreased by $53.4 million to $917.4 million mainly due to our net loss of $47.5 million in 2013.

Cash Flow Information

	Year Ended	
(In US$ million)	29 December 2013	30 December 2012
Net cash provided by operating activities	380.5	375.2
Net cash used in investing activities	(412.7)	(371.4)
Net cash used in financing activities	(9.2)	(28.1)

Cash Flows From Operating Activities

In 2013, cash provided by operations was $380.5 million compared to $375.2 million in 2012. Cash provided by operations is calculated by adjusting our net income (loss) by non-cash related items such as income tax expense, depreciation and amortisation, loss or gain from sale of assets, goodwill impairment, plant and equipment impairment, loss or gain from repurchase of senior notes and exchange offer and redemption expenses, write-off of debt issuance costs, foreign currency exchange loss or gain, share of profit (loss) of associate, interest income, interest expense and by changes in assets and liabilities. In 2013, non-cash related items included $22.3 million of income tax expense, $302.5 million related to depreciation and amortisation, $2.4 million of debt issuance costs written off, $15.7 million of exchange offer and redemption expenses, $20.7 million on asset impairment, $1.8 million gain from the sale of equipment, $0.9 million of foreign currency exchange gain, $1.3 million of interest income, and $54.5 million of interest expense.

In 2012, non-cash related items included $14.0 million of income tax expense, $286.4 million related to depreciation and amortisation, $1.2 million gain from the sale of equipment, $24.1 million of goodwill impairment, $3.8 million of asset impairment, $0.6 million of foreign currency exchange loss, $0.7 million from share of loss of associate, $1.5 million of interest income, and $59.8 million of interest expense.

Working capital uses of cash in 2013 included increase in other receivables, prepaid expenses and other asset and decrease in accounts payable, accrued operating expenses and other payables. Working capital sources of cash in 2013 included decreases in accounts receivable and inventories and increase in amounts due to related parties.

Accounts receivables as of 29 December 2013 were lower compared to 30 December 2012 mainly due to timing of cash collections and cash realisation program (refer to Note 7 of the consolidated financial statements). Accounts payable decreased as of 29 December 2013 as compared to 30 December 2012 primarily due to timing of purchases. Payables related to property, plant and equipment purchases increased due to our higher capital expenditures. Additionally, accrued operating expenses and other payables increased as compared to 30 December 2012 primarily due to the provision for employee severance and benefit costs related to our intended closure of our Malaysia plant.

Cash Flows From Investing Activities

In 2013, cash used in investing activities was $412.7 million compared to $371.4 million in 2012. The primary usage of cash in investing activities was related to the acquisition of property and equipment, net of changes in payables related to property, plant and equipment purchases of $408.2 million in 2013, compared to $387.1 million in 2012. In 2013, we invested $5.2 million, compared to $5.4 million in 2012, in the acquisition of software, licenses and other intangible assets. In 2013, we purchased $89.2 million of bank deposits compared to $82.9 million in 2012. In 2013, we received proceeds from the maturity of our bank deposits of $85.4 million compared to $88.3 million in 2012. We received $0.6 million of interest income in 2013, compared to $1.2 million in 2012. In 2012, we received $10.4 million from divestment of associate.

Cash Flows From Financing Activities

In 2013, cash used in financing activities was $9.2 million, compared to $28.1 million in 2012. In 2013, $314.7 million of bank borrowings were incurred and $235.5 million of our borrowings were repaid. In 2013, $247.6 million of proceeds, after deducting debt issuance cost of $7.4 million were received from the issuance of our $255.0 million 4.5% Senior Notes due 2018. In February 2013, we commenced a private exchange offer for our $600.0 million 7.5% Senior Notes due 2015. In connection with our refinancing of our $600.0 million of 7.5% Senior Notes due 2015 with $611.2 million of 4.5% Senior Notes due 2018, we made cash payment of $280.7 million comprising redemption premium of $14.1 million and redemption of $241.6 million principal of our 7.5% Senior Notes due 2015 on 19 April 2013, cash portion of $25.0 million relating to our exchange offer of the 7.5% Senior Notes due 2015. In 2013, we distributed $4.9 million of dividends to non-controlling interest in a subsidiary. In 2013, we paid $55.8 million of interest expense and received $4.8 million of government grants. In 2012, $139.3 million of bank borrowings were incurred and $108.3 million of our borrowings were repaid. In 2012, we distributed $5.1 million of dividends to non-controlling interest in a subsidiary. In 2012, we paid $56.2 million of interest expense and received $2.2 million of government grants.

Liquidity and Total Borrowings

Our principal sources of liquidity consist of cash flows from operating activities, bank facilities and other debt financing, and our existing cash, cash equivalents and bank deposits. As of 29 December 2013, we had cash, cash equivalents and bank deposits of $182.8 million. We also have available lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, including those available to our consolidated subsidiaries, which amounted to an aggregate of $548.2 million, of which $372.4 million of credit facilities and $38.6 million of other banking facilities were available as of 29 December 2013. Our liquidity needs arise primarily from servicing our outstanding debts, working capital needs and the funding of capital expenditures and investments. Our capital expenditures are largely driven by the demand for our services, primarily to increase our packaging and testing capacity, to replace packaging and testing equipment from time to time, and to expand our facilities and service offerings. Depending on business conditions, we expect our capital expenditure in the first quarter of 2014 to be approximately $105 million to $125 million, including $45 million to $55 million for progressive construction of our new factory in South Korea. Capital expenditures in 2013, including $28.6 million progressive capital spending for the new factory construction in South Korea, was $507.5 million, compared to $409.9 million in 2012. The higher capital expenditure was for production capacity in advanced wafer level packaging, wirebond packaging and turnkey test to support ramp for the emerging market chipsets and global handset new products.

As of 29 December 2013, our total debt outstanding consisted of $912.2 million of borrowings, which included $611.2 million of our 4.5% Senior Notes due 2018, $200.0 million of our 5.375% Senior Notes due 2016, and other short-term and long-term borrowings.

In February 2013, we commenced a private offer to exchange any and all of our outstanding $600.0 million of 7.5% Senior Notes due 2015 for U.S. dollar-denominated fixed rate senior notes due 2018. On 15 March 2013, upon the expiry of the exchange offer, an aggregate principal amount of $358.4 million of 7.5% Senior Notes due 2015, representing 59.7% of these notes were validly tendered. The notes that were validly tendered in the exchange offer were cancelled immediately upon exchange for the new 4.5% Senior Notes due 2018. On 20 March 2013, we issued a further $255.0 million of 4.5% Senior Notes due 2018 to fund the redemption of the remaining outstanding $241.6 million of 7.5% Senior Notes due 2015 for cash proceeds of $247.6 million, after deducting debt issuance cost. On 19 April 2013, we redeemed our remaining outstanding $246.1 million of 7.5% Senior Notes due 2015 for $255.7 million pursuant to the redemption price terms of the indenture. We financed the redemption with the proceeds from the issuance of the 4.5% Senior Notes due 2018 and short-term borrowings. The notes were cancelled upon redemption. Redemption premium of $15.7 million and debt issuance costs of $2.4 million were expensed in the income statement in 2013.

The aggregate principal amount of 4.5% Senior Notes due 2018 issued pursuant to the exchange offer and private placement of these notes for cash amounted to $611.2 million. These notes are our senior unsecured obligations and are listed on the SGX-ST. These notes are guaranteed, on an unsecured senior basis, by all of our existing subsidiaries (except STATS ChipPAC Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation) (collectively “Non-Guarantor Subsidiaries”) and our future restricted subsidiaries (except where prohibited by local law). These notes will mature on 20 March 2018 bearing interest at the rate of 4.5% per annum payable semi-annually on 20 March and 20 September of each year, commencing 20 September 2013. Prior to 20 March 2016, we may redeem all or part of these notes at any time by paying a “make-whole” premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 20 March 2016, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 20 March 2016, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions. Therefore the Non-Guarantor Subsidiaries and STATS ChipPAC Shanghai Co. Ltd. (the “China Non-Guarantor Subsidiary”) are also Restricted Subsidiaries as defined under these notes. The covenant restrictions include, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

On 29 August 2012, we obtained a $50.0 million revolving credit facility from DBS Bank Ltd. On 26 September 2013, the revolving credit facility was extended until February 2015 and the facility amount was increased to $75.0 million. The purpose of the facility is for our general corporate funding. As of 29 December 2013, we have $20.0 million outstanding under this facility. The principal and interest of the loan are payable on maturity in January 2014. The loan bears interest at the rate of 1% per annum.

On 31 July 2012, we obtained a $50.0 million revolving credit facility from Oversea-Chinese Banking Corporation Limited. On 27 September 2013, the revolving credit facility was extended until October 2015 and the facility amount was increased to $75.0 million. The purpose of the facility is for our general corporate funding. As of 29 December 2013, we have $47.1 million outstanding under this facility. The principal and interest of the loan are payable on maturity in January 2014. The loan bears interest at the rate of 1% per annum.

On 26 September 2013, our subsidiary, STATS ChipPAC Korea Ltd. entered into a $120.0 million five-year secured term loan with Hana Bank. The purpose of the loan is to finance capital expenditures. The facility is collateralised by equipment located at our Korean subsidiary and upon completion of construction, our Korean subsidiary's new facility in the Incheon Free Economic Zone. As of 29 December 2013, we have $25.1 million outstanding under this facility. The principal of the loan is payable on maturity in September 2018. The interest of the loan is payable on a monthly basis. The loan bears interest at the rate of 4% per annum.

On 12 January 2011, we issued $200.0 million of 5.375% Senior Notes due 2016 for proceeds of $198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries, except the Non-Guarantor Subsidiaries and our future restricted subsidiaries except where prohibited by local law. These notes are our senior unsecured obligations and are listed on the SGX-ST. On 18 January 2011, we repaid the $234.5 million outstanding principal under the $360.0 million senior credit facility with the net proceeds from the $200.0 million of 5.375% Senior Notes due 2016 and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. Prior to 31 March 2014, we may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 31 March 2014, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, is subject to the covenant restrictions. Therefore the China Non-Guarantor Subsidiary are also Restricted Subsidiaries as defined under these notes. The covenant restrictions, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

Other unsecured revolving credit facilities comprised $200.0 million, $2.8 million, $25.9 million and $4.1 million of facilities issued to the Company and its subsidiaries in South Korea, Taiwan and China, respectively. The purpose of these facilities is for our general corporate funding. As of 29 December 2013, we have outstanding loans of $38.0 million and the principal and interest of the loans are payable on maturity in January 2014. The loans bear interest at the rate of 1% per annum.

We believe that our cash on hand, existing credit facilities and anticipated cash flows from operations will be sufficient to meet our currently anticipated capital expenditure requirements, investment requirements, as well as debt service repayment and liability obligations for the next 12 months. We regularly evaluate our current and future financing needs and may take advantage of favourable market conditions to raise additional financing. We may also from time to time seek to refinance our outstanding debt, or retire or purchase our outstanding debt through cash purchases and/or exchanges for securities, in the open market purchases, privately negotiated transactions or otherwise. From time to time, we may make acquisitions of, or investments in, other companies and businesses that we believe could expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Such additional financing, refinancing, repurchases, exchanges, acquisitions or investments, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

There can be no assurance that our business activity would be maintained at the expected level to generate the anticipated cash flows from operations or that our credit facilities would be available or sufficient. If the market conditions deteriorate, there can be no assurance that demand for our services will not be adversely affected, resulting in our cash flows from operations being lower than anticipated. If our cash flows from operations is lower than anticipated, including as a result of a downturn in the market conditions generally or the semiconductor industry, or shortages in supply of key components and disruption in supply chain, or otherwise, or our capital requirements exceed our expectations as a result of higher than anticipated growth in the semiconductor industry, acquisition or investment opportunities, or the expansion of our business or otherwise, we may have to seek additional financing. In such events, there can be no assurance that additional financing will be available or, if available, that such financings can be obtained on terms favourable to us or that any additional financing will not be dilutive to our shareholders or detrimental to our creditors.

Off-Balance Sheet Arrangements

We have no significant investment in any unconsolidated entities. Our off-balance sheet commitments are limited to operating leases, royalty/license agreements and purchase obligations. Our total off-balance sheet obligations were approximately $525.2 million as of 29 December 2013.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 29 December 2013 were as follows:

	Payments Due				
(In US$ million)	Within 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
On balance sheet commitments:					
4.5% Senior Notes due 2015 (1)	–	–	611.2	–	611.2
5.375% Senior Notes due 2016 (1)	–	200.0	–	–	200.0
Short-term bank borrowings (1)	38.0	–	–	–	38.0
Long-term bank borrowings (1)	–	67.1	25.1	–	92.2
Retirement benefits	–	3.1	–	–	3.1
Other non-current liabilities (2)	–	–	–	–	–
Total on balance sheet commitments	38.0	270.2	636.3	–	944.5
Off balance sheet commitments:					
Operating leases	34.9	27.9	12.0	93.3	168.1
Royalty/ licensing agreements	6.9	13.9	12.6	–	33.4
Purchase obligations:					
- Capital commitments	234.3	4.2	–	–	238.5
- Inventory purchase commitments	85.2	–	–	–	85.2
Total off balance sheet commitments	361.3	46.0	24.6	93.3	525.2
Total commitments (3)	399.3	316.2	660.9	93.3	1,469.7

Notes:

(1) Our senior notes, short-term and long-term bank borrowings agreements contain provisions for the payment of interest either on a monthly, quarterly, semi-annual or annual basis at a stated rate of interest over the term of the debt. These payment obligations are not reflected in the table above. The interest payments due within one year, 1-3 years and 3-5 years amount to $39.2 million, $73.0 million and $42.9 million, respectively.

(2) Our other non-current liabilities as of 29 December 2013 were $24.2 million, including $3.5 million related to non-current retirement benefits for our employees in Malaysia. Also included in the other non-current liabilities is $1.0 million related to severance benefits for our employees in South Korea which were not included in the table due to lack of contractual certainty as to the timing of payments. The table does not include non-current liabilities related to the litigation settlement charges included in our selling, general and administrative expenses in 2012.

(3) On 19 November 2012, we announced our expansion plans in South Korea for the investment of a new integrated facility in the Incheon Free Economic Zone. The construction of the new facility began in the third quarter of 2013 and the new facility is expected to be operational in the first quarter of 2015. Included in operating leases as of 29 December 2013 were minimum lease payments for the land and outsourced facility infrastructures within one year, 1-3 years, 3-5 years and more than 5 years of $1.6 million, $9.8 million, $10.0 million and $88.8 million, respectively. Included in capital commitments as of 29 December 2013 were purchase obligations within one year and 1-3 years of $159.5 million and $4.2 million, respectively. We expect to incur additional capital commitment and facilitisation costs of approximately $23.0 million related to the expansion.

CORPORATE GOVERNANCE

STATS ChipPAC's corporate governance principles are built on the core value of integrity, and reflect our commitment to protect and enhance shareholder value

The Board of Directors of the Company (the "**Board**") and management of the Company (the "**Management**") are committed to maintaining high standards of corporate governance and firmly believe that good corporate governance ensures shareholders' interests are protected and enhances corporate performance and accountability. This report outlines the Company's main corporate governance practices for the financial year ended 29 December 2013 with specific reference to the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**").

1. Board Matters

The Board's Conduct of Affairs

- Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible to shareholders for overseeing the management of the business in the interest of the Company. To this end, the Board relies on the integrity and due diligence of Management, external auditors and advisors.

The Board provides leadership to the Company by overseeing and setting the Company's corporate policies and overall corporate strategic plans as well as performance objectives. Specific matters reserved for the Board's decision include:

- overseeing and monitoring the Company's business, operations and financial performance;
- assessing and approving key operational activities, funding and investments initiatives, acquisition and divestments and other corporate actions;
- reviewing and approving the annual budgets and strategic long term succession plans;
- reviewing internal controls and policies to manage risk and implement good corporate governance;
- reviewing and approving nominees for appointment as directors and key management staff, including review of performance; and
- reviewing and approving remuneration package of the directors.

The Board has delegated some of its responsibilities to its Executive Committee, Audit Committee, Executive Resource and Compensation Committee and Nominating and Corporate Governance Committee to ensure independent oversight of matters including corporate governance, internal controls and risk management.

The Company has established financial authorisation and approval limits for operating and capital expenditure, and the acquisition and disposal of investments. Apart from matters that specifically require the Board's approval, such as the issuance of shares, dividend distributions and other returns to shareholders, the Board approves transactions exceeding certain threshold limits while delegating authority for transactions below those limits to Board committees and Management so as to optimise operational efficiency.

The Chairman, together with the executive director and the Company Secretary, ensures that a induction programme is in place for newly appointed directors. This programme includes sending a formal letter to the newly appointed director setting out his duties and responsibilities as a director, sessions with the executive director, and meetings with the senior management team. These sessions, which focus on the strategic direction and performance of the Company and its key subsidiaries, are designed to familiarize the newly appointed director with the Company's business and governance practices.

Members of the Board are encouraged to attend training for continuing education as appropriate.

The Board is routinely updated on the relevant laws, continuing listing obligations and accounting standards requiring compliance, and their implications for the Company.

The Board holds a minimum of four meetings each financial year, on a regular basis to coincide with the announcement of the Company's quarterly results. Additional meetings are convened as and when necessary to deliberate on specific issues. To facilitate the Board's decision-making process, the Articles of Association of STATS ChipPAC provide for the directors to participate in Board meetings by teleconference or video-conference. The Chairman has a second or casting vote. Decisions of the Board and Board committees may also be obtained through circulation of a written resolution.

Every year, the Board holds a meeting to review the budget and business strategies of the Company and to review the long term succession plans of Management.

All Directors make every effort to attend Board meetings and meetings of Board committees of which they are members, whether it is in person or by telephone, unless circumstances prevent them from doing so, such as prior commitments.

The number of Board and Board committee meetings held and each director's attendance in the financial year ended 29 December 2013 are set out below:

	Meeting attendance in %				
Type of Meetings	Board	Audit Committee	Executive Resource and Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Name of Directors	7 meetings	11 meetings	4 meetings	2 meetings	1 meeting
*James A. Norling	100			100	100
Tan Lay Koon	100				
R. Douglas Norby	86	100	100		
Peter Seah Lim Huat	86		100	100	
Teng Cheong Kwee	100	100		100	
Rohit Sipahimalani	100	55			100
Pasquale A. Pistorio	86				
Gary W. Tanner	86		100		
*Charles R. Wofford	100		100	100	100

* Mr. Charles R. Wofford retired as a director with effect from 24 April 2013 and Mr. James A. Norling was appointed as a director with effect from 24 April 2013.

Minutes of the Board Committee meetings are made available to all Board members.

The Executive Committee ("**EC**") must comprise at least three directors, the majority of whom must be independent. The EC is chaired by Mr. James A. Norling, who was appointed on 24 April 2013 to replace Mr. Charles R. Wofford and its other members are Mr. Teng Cheong Kwee and Mr. Rohit Sipahimalani.

The main objective of the EC is to enable the Board to delegate some of its powers and functions regarding the governing of STATS ChipPAC's affairs and the affairs of its subsidiaries to the EC in order to facilitate timely decision-making processes within the limits of authority as determined by the Board. The EC also meets with the Management to review STATS ChipPAC's strategic directions and planning.

Board Composition and Guidance

- Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises eight directors. There is one executive director, Mr. Tan Lay Koon, who is also the President and Chief Executive Officer ("**CEO**") and there are seven non-executive directors, including the Chairman, Mr. James A. Norling. Six of the directors are considered by the Nominating and Corporate Governance Committee ("**NC**") and the Board to be independent directors under the Code. The directors who are considered by the NC to be independent under the Code are Mr. James A. Norling, Mr. Peter Seah, Mr. R. Douglas Norby, Mr. Teng Cheong Kwee, Mr. Pasquale A. Pistorio and Mr. Gary W. Tanner. Each director's profile is set out at the beginning of this Annual Report.

The majority of the Board is comprised of non-executive directors who are independent of Management and independent in terms of judgment.

The NC and the Board are of the view that the length of service of a director should not determine the effectiveness of the independence of a director. Instead, a director's contribution in terms of professionalism, integrity, objectivity and ability to exercise strong independent judgment in his deliberation in the interest of the Company are more critical in ascertaining the independence of a director than the number of years served on the Board.

The NC and the Board consider Mr. Peter Seah and Mr. R. Douglas Norby to be independent directors under the Code notwithstanding that they have each served on the Board beyond nine years as they have each continued to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a director of the Company. They have each provided valuable inputs and objectively evaluate Management's proposals or decisions. Their respective views and opinions provide alternative perspectives to the Company's business.

The composition of the Board is evaluated and reviewed to ensure it is of the right size and it provides a broad range of skills, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge its responsibilities as well as to ensure constructive group discussion and therefore, effective decision making. The current directors have a wide range of skills and experience to effectively govern a semiconductor company such as the Company to achieve its objectives and continual development. The NC identifies and evaluates qualified candidates as director and recommend to the Board for consideration.

The non-executive directors typically hold an executive session as part of the Board scheduled meetings, without the presence of Management, to discuss and help develop proposals on strategy, review and discuss the performance of Management in meeting agreed goals and objectives including the review of CEO performance and succession.

Chairman and Chief Executive Officer

- Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities between the leadership of the Board and the Management. The roles of the Chairman and the CEO are held by separate individuals, Mr. James A. Norling and Mr. Tan Lay Koon, respectively, and there is a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

The Chairman leads and ensures effective and comprehensive board discussion on matters brought to the Board's attention including strategic plans for the Company. The Chairman reviews and approves agendas for Board meetings in consultation with the CEO and the Company Secretary, taking full account of the concerns of the directors and giving consideration to the need to allow adequate time for discussion on the agenda. He plays an important role in facilitating effective contribution of the Board and encouraging constructive relations between the Board and

contribution of the Board and encouraging constructive relations between the Board and Management, ensuring that the directors receive accurate, timely and clear information from Management as well as ensures effective communication with shareholders.
The CEO leads the daily operations of the business and executes on the Board's decisions and guidance and is responsible for implementing the strategies and policies and the conduct of the Company's business.

Board Membership
- Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC must comprise at least three directors, the majority of whom, including the chairman, must be independent. The NC is chaired by Mr. James A. Norling, who was appointed on 24 April 2013 to replace Mr. Charles R. Wofford, and its other members are Mr. Peter Seah and Mr. Teng Cheong Kwee.

The duties and responsibilities of the NC include the following:

- the identification of suitable candidates for appointment to the Board, with a view to ensuring that the individuals comprising the Board can contribute in the relevant strategic areas of our business and are able to discharge their responsibilities as directors having regard to the law and high standards of governance, considering such factors as the NC deems appropriate which may include factors such as personal and professional integrity and ethics, business experience or skills in technology, finance, international business, or other areas;
- the selection of nominees for election or re-election as directors at the next annual meeting of shareholders (or extraordinary general meeting of shareholders at which directors are to be elected);
- the development and recommendation to the Board of a set of corporate governance guidelines and principles applicable to the Company (our Code of Business Conduct and Ethics);
- the oversight of the evaluation of the Board and its committees; and
- the determination on an annual basis and as and when circumstances require, of the independence of the directors under the Code.

The NC regularly reviews the balance and mix of expertise, skills and attributes of the directors to ensure that composition of the Board meets the business and governance needs of the Company. The NC identifies qualified nominees, reviews nominations and makes recommendations to the Board on all board appointments based on their qualification, knowledge, expertise, ability to devote sufficient time and attention to the Company, potential conflicts of interest, the composition and independence of the Board and the evolving needs of the Company. Newly-appointed directors by the Board are required to submit themselves for retirement and re-election at the next Annual General Meeting (the "**AGM**") after their appointment.

Pursuant to the Articles of Association of the Company, at each AGM, one-third of the Board (who have been longest in the office since their last re-election or appointment) shall retire from office by rotation. No director can stay in office beyond three years without being re-elected. Under the Companies Act, directors who are more than 70 years of age also have to be re-elected at each AGM.

The Board does not set a limit on the number of listed company board representations which a director may concurrently hold, as the Board is of the view that the directors of the Company devote sufficient time and attention to the affairs of the Company, which is a more appropriate measure of such directors' ability to perform his duties. The NC is satisfied that each director of the Company is able to and has been adequately carrying out his duties as a director of the Company.

The NC reviews and assesses the independence of the directors on an annual basis and as and when circumstances require. In assessing the independence of the directors, the NC examines the different relationships identified by the Code that might impair the director's independence and objectivity.

Board Performance

- Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC evaluates the Board's performance as a whole on an annual basis. To provide feedback to aid in this assessment, each member of the NC will complete a questionnaire on the effectiveness of the Board as a whole. This questionnaire considers factors such as the size and composition of the Board, Board accountability, director's access to information and Board processes.

The NC undertakes an informal assessment of the contribution of individual directors to the Board based on the director's level of contribution to Board meetings, attendance and other deliberations.

Access to Information

- Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board in discharging its duties and fulfilling its responsibilities, Management provides the Board with operation reports, annual and three-year operating plans, background or explanatory information relating to matters to be brought before the Board, disclosure documents as well as financial statements with briefings on material aspects, including analysis of actual financial results compared to forecasts on a quarterly basis which Management believes, present a balanced and understandable assessment of the Company's performance, position and prospects. Board and Board committee papers are sent to directors prior to each meeting so that the directors may study and better understand items to be discussed at the meetings.

The Board has independent and unrestricted access to Management and the Company Secretary, the internal auditors and external auditors. Frequent interaction between Management and the Board is encouraged. The Board may request additional information as needed to make informed decisions.

The Company Secretary attends Board meetings and advises the Board on Board procedures, the requirements of the Company's Memorandum and Articles of Association, the Companies Act, certain provisions in the Securities and Futures Act and the SGX-ST Listing Manual to ensure good corporate governance and compliance with the laws and regulations. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Where necessary, the Board may exercise its discretion to seek independent and professional assistance at the cost of the Company.

2. Remuneration Matters

Procedures for Developing Remuneration Policies

- Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Executive Resource and Compensation Committee ("**ERCC**") must comprise at least three directors, all non-executive, the majority of whom, including the chairman, must be independent. The ERCC is chaired by Mr. Peter Seah, who was appointed on 24 April 2013 to replace Mr. Charles R. Wofford, and its other members are Mr. R. Douglas Norby and Mr. Gary W. Tanner. The duties and responsibilities of the ERCC include the following:

- considering, reviewing, and recommending to the Board, the Company's framework of remuneration for CEO, any other executive directors and the non-executive directors and the specific remuneration packages for the CEO, any other executive directors and each non-executive directors;
- considering, reviewing, varying (if necessary) and recommending to the Board, the entire specific remuneration framework and specific packages for senior management;

- reviewing and making recommendations to the Board the design of any option plans, stock plans and other equity-based plans; and
- considering, reviewing and making recommendations to the Board with regard to each award to the non-executive directors, the CEO and any other executive director and senior management as well as the total proposed awards under each equity based plan in accordance with the rules governing each such plan.

Level and Mix of Remuneration

- Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The ERCC takes into consideration the following when determining the remuneration packages of the directors, CEO and key executives:

- the respective performance of the Company and the individual;
- what is appropriate to attract, retain and motivate employees to ensure the Company has a committed and talented pool of human resources;
- remuneration packages and norms within the industry and comparable companies; and
- alignment of Management with shareholder value

The CEO, as an executive director, is remunerated as a member of the Management and does not receive director's fees from STATS ChipPAC. His compensation consists of a base salary, allowances, performance-related bonuses and conditional share awards. The vesting of the conditional share awards granted to the CEO under the STATS ChipPAC Ltd. Performance Share Plan 2013, is subject to the Company achieving prescribed performance targets over the relevant performance period.

Non-executive directors' remuneration consists of directors' fees. The directors' fees include basic retainer fees, attendance fees and additional fees for serving on Board committees. Non-executive directors' fees in aggregate is subject to shareholders' approval at the AGM.

Disclosure on Remuneration

- Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The annual remuneration of the non-executive directors of the Company are set out below for the financial year ended 29 December 2013.

Non-Executive Directors Compensation

Number of Non-Executive Directors in Remuneration Bands Denominated in Singapore Dollars	2013
500,000 and above	-
250,000 to 499,999	-
Below 250,000	8

Name of Directors	Position Held	Directors' Fees
James A. Norling[(1)]	Board Chairman EC & NC Chairman	US$104,348
Peter Seah Lim Huat	Director ERCC Chairman NC Member	US$66,930

R. Douglas Norby	Director AC Chairman ERCC Member	US$103,160
Teng Cheong Kwee	Director EC, NC & AC Member	US$80,235
Rohit Sipahimalani[(2)]	Director EC & AC Member	US$72,133
Pasquale A. Pistorio	Director	US$68,775
Gary W. Tanner	Director ERCC Member	US$77,998
Charles R. Wofford[(3)]	-	US$65,349
TOTAL		**US$638,928**

(1) Mr. James A. Norling was appointed as Chairman with effect from 24 April 2013. The directors' fees are pro-rated.
(2) Mr. Rohit Sipahimalani is employed by Temasek International Pte. Ltd. ("**TIPL**") and the directors' fees are paid to TIPL.
(3) Mr. Charles R. Wofford retired as a director and as Chairman of the Board of the Company, Chairman of EC, NC and ERCC at the AGM on 24 April 2013. The directors' fees are pro-rated.

The compensation for the financial year ended 29 December 2013 of Mr. Charles R. Wofford's* son, an employee holding a non-executive position at STATS ChipPAC Inc., a subsidiary of the Company, was in the remuneration band of S$250,000 to S$499,999.

	Fixed (%)[(1)]	**Variable (%)[(2)]**	**Total (%)**
Employee who is immediate family member of a Director	90	10	100

* Mr. Charles R. Wofford retired as a director and as Chairman of the Board with effect from 24 April 2013

The Company incorporates performance-related elements into the remuneration package of its executive director and CEO and each of the key management personnel (who are not directors of the Company) to link rewards to the performance of the Company and such individuals. The ERCC seeks to ensure that the level and mix of remuneration is competitive and relevant. The Company adopts the STATS ChipPAC Ltd. Performance Share Plan 2013 and Value-Linked Incentive Plan 2013 as long-term incentives to motivate key management personnel to achieve superior performance and to align their interests with those of shareholders.

The aggregate annual compensation accruing and paid to the executive director and CEO and each of the key management personnel (who are not directors of the Company) for the services rendered in 2013 are set out below. Share based compensation, details of which are set out in the Directors' Report in the Annual Report, are excluded.

Executive Director and Key Management's Compensation

Number of Executive Director and Key Management Personnel in Remuneration Bands Denominated in Singapore Dollars	**2013**
1,000,000 to 1,249,999	1
750,000 to 999,999	2
250,000 to 499,999	4

	Fixed (%)[(1)]	**Variable (%)[(2)]**	**Total (%)**
CEO and Executive Director			
Tan Lay Koon	98	2	100
Key Executives			
Han Byung Joon	93	7	100
Wan Choong Hoe	99	1	100
Hal Lasky	100	-	100
Chong Khin Mien	95	5	100
John Lau Tai Chong	100	-	100
Janet T. Taylor	100	-	100

[1] Fixed refers to base salary, annual wage supplement and fixed allowances (including any club membership, transportation, car allowance and any home leave benefit) earned for the year ended 29 December 2013. It excludes benefits such as other leave and medical scheme.
[2] Variable refers to incentives paid and accrued for the year pursuant to the Company's short term incentive plan ("**STI**"), economic value added ("**EVA**") scheme and Value-Linked Incentive Plan 2013 ("**VLI Plan**") for the year ended 29 December 2013. STI is a scheme used to determine the annual performance bonuses payable to all employees of the Company and is subject to ERCC discretion and/or the Company achieving certain revenue, gross margin, customer satisfaction, new product revenue, total quality index and employee retention targets.

Under the EVA scheme, a notional EVA bank account was set up for each key executive into which the annual EVA performance bonus earned by him each year was credited. One third of the total amount in the EVA bank account is payable annually at a later date in the following financial year, and the remaining balance in the EVA bank account will be payable to the key executive upon the key executive's resignation or termination of employment (other than for cause) subject to certain conditions being met. There have been no additional amounts allocated to the notional EVA bank accounts since 2006.

The VLI plan is to recognise and reward employees on long-term achievements, retain employees with long-term compensation and to link compensation directly to sustainable long-term shareholder value creation. Any awards under the VLI Plan are contingent upon the Company achieving specific EBITDA and free cash flow targets as set by the ERCC and the individual participant meeting other performance requirements. Each participant in the VLI Plan has an individual notional bank account which will maintain any balance that has been paid into the notional bank account and is contingent upon future performance and therefore, can be increased or decreased. Any positive amounts in the notional VLI accounts will be paid out as follows: 67% in 2014; 50% in 2015; and 33% in 2016 and thereafter. No amounts were awarded under the VLI Plan in 2013.

The Company does not disclose the individual key management personnel in the respective remuneration bands of $250,000 each nor the remuneration of the CEO so as not to hamper the Company's efforts to retain its talent pool as the Company operates in a highly competitive environment.

In aggregate, the total compensation paid to the six key management personnel (who are not directors of the Company) for the services rendered in 2013 was US$2,704,855.

3. Accountability and Audit

Accountability

- Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company is committed to its accountability towards the shareholders and therefore, the Company recognises the importance of timely reporting obligations under the SGX-ST Listing Manual. Shareholders are presented with the Company's operating performance and financial results in a timely manner as the Company files its quarterly results on SGXNET in line with the SGX-ST's requirements. This gives the shareholders an understandable assessment of the Company's performance.

Management provides the Board with information as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Pursuant to the Company's Insider Trading Policy, STATS ChipPAC, all directors and employees of the Company and its subsidiaries are prohibited from dealing in STATS ChipPAC's securities from two weeks before the end of any fiscal quarter and ending two trading days after the public release of earnings data for the quarter if they are in possession of material non-public information. Directors, officers and employees at a certain level of seniority and above are deemed to be in possession of material non-public information for purpose of applying the trading restrictions during such period. All directors and employees are notified by email prior to the start of each trading blackout period and are required to observe insider trading laws at all times.

Risk Management and Internal Controls

- Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The identification and management of risk reduces the uncertainty associated with the execution of our business strategies and allows the Company to maximise opportunities that may arise.

The Company manages and regularly reviews its risk profile at strategic, operational and project level so that business decisions are consciously weighed against the risks by establishing a framework to identify and manage risk.

The following risk management principles apply:

- risks cannot be totally eliminated, but can be managed;
- risk management is aligned with and driven by business values, goals and objectives;
- managers at each level must assume ownership of risk management; and
- risk management processes are integrated with other processes including budgeting; and mid/long-term planning and business development.

Risks are proactively identified and addressed and reported to the Audit Committee of the Board (the "**AC**") and the Board on a bi-annual basis, and any material risk noted is reported quarterly to the AC. The AC assists the Board to oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework as well as reviewing the adequacy and effectiveness of the risk management and internal control systems.

The Company maintains a risk register which identifies the material risks and the internal controls in place to manage or mitigate those risks.

The Company's internal and external auditors, carry out in the course of their audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations to address such non-compliance and weaknesses, are reported to the AC. Management will then follow up on the auditors' recommendations.

The Company has put in place a whistle-blowing policy and procedures which encourages and provides employees with channels to report suspected fraud, corruption, financial impropriety and other dishonest practices promptly and in good faith.

The Board has received assurance from the CEO and the Chief Financial Officer ("**CFO**") that:

- the risk management and internal control systems in place within the Company and its consolidated subsidiaries (the "**Group**") are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks. The CEO and the CFO have obtained similar assurance from the heads of the corporate functions of the Company and the senior management of the consolidated subsidiaries;
- the financial records of the Company and the Group for the financial year ended 29 December 2013 have been properly maintained and the financial statements and the accompanying notes to the financial statements for the financial year ended 29 December 2013 have been prepared in accordance with the Singapore Financial Reporting Standards; and
- the consolidated financial statements of the Group and the accompanying notes and the unconsolidated statement of financial position of the Company as set out in this Annual Report, give a true and fair view of the Company's and the Group's operations and finances for the financial year ended 29 December 2013.

Based on the work performed by the internal auditors, the review undertaken by the external auditors and controls compliance work performed by the Company, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal controls, including financial, operational and compliance controls are adequate to meet the needs of the Group in its current business environment.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of human error, losses, fraud or other irregularities.

Audit Committee

- Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC must comprise at least three directors, all non-executive, the majority of whom, including the chairman, must be independent. The AC is chaired by Mr. R. Douglas Norby and its other members are Mr. Teng Cheong Kwee and Mr. Rohit Sipahimalani. All of the members and the Chairman of the AC are non-executive directors with accounting and financial management expertise and each of Mr. R. Douglas Norby and Mr. Teng Cheong Kwee are determined by the Board to be independent under the Code.

The duties and responsibilities of the AC include the following:

- reviewing the Company's financial statements and any public financial reporting with Management and the external auditor before submission to the Board;
- reviewing with Management, the internal auditor and the external auditor the scope, planning and staffing of the proposed audit for the current year;
- reviewing the adequacy and effectiveness of the Company's internal controls and report to the Board with regard to the adequacy of such internal controls;
- assessing the competence and independence of the Company's external auditors, including the nature, extent and cost of non-audit services provided to the Company by the external auditors during the year;
- reviewing the effectiveness of the Company's internal audit function and ensure the internal audit function is adequately resourced;
- reviewing and recommending to the Board the appointment of the external auditors and the internal auditors;
- approving the remuneration and terms of engagement of the external auditors;
- reviewing interested party transactions to ensure compliance with the SGX-ST Listing Manual;
- investigating suspected fraud, irregularities, failure of internal controls or violation of any law or regulations likely to materially impact the Company's financial results; and
- reviewing procedures for (a) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or potential violations of law and (b) confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters or potential violations of law, and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The main objective of the AC is to assist the Board in fulfilling its fiduciary responsibilities to the Company. The AC serves as an independent and objective party to review the integrity and reliability of the financial information presented by Management to shareholders, regulators and general public. The AC oversees the establishment, documentation, maintenance and periodic evaluation of the system of the internal controls within the Company.

The AC has reviewed all non-audit services provided by the external auditors and such non-audit services would not, in the AC's opinion, affect the independence of the external auditors.

The Company ensures that the AC is kept abreast on relevant developments, with the assistance of the external auditors, PwC, by sending to the AC, materials on changes in the regulations and presentations by PwC on such changes.

The AC may invite any director or officer of the Company to attend any AC meeting and to provide pertinent information as necessary. The AC meets with the external auditors and with the internal auditors, without the presence of the Management, at least once a year.

Internal Audit

- Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company's internal auditors are Ernst & Young LLP. The internal auditors report primarily to the chairman of the AC, and administratively to the CEO and CFO of the Company.

The internal auditors assist the AC in overseeing the establishment, documentation, maintenance and periodic evaluation of the system of internal controls within the Company and the annual internal audit plan is reviewed and approved by the AC. Internal audit reports are submitted to the AC quarterly, detailing the internal auditors' review, observations and progress as well as the status of the internal audit plan, including detailed audit findings and recommendations for corrective actions to be taken by Management.

The internal audits performed are aimed at assisting the Board and Management in the discharge of their corporate governance responsibilities as well as to manage uncertainties and threats to the Company's businesses and improving and promoting effective and efficient business processes within the Company.

The AC reviews and ensures the adequacy and effectiveness of the internal audit function on an annual basis.

4. Shareholders Rights and Responsibilities

Shareholder Rights

- Principal 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company treats all shareholders fairly and equitably.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders and keeps the shareholders informed of the rules, including voting procedures. Before each AGM, the Company sends out a "Supplemental Information to Shareholders" together with the Notice of the AGM to provide information on the AGM, the voting procedures as well as explanatory notes on each item of the business as set out in the Notice of the AGM.

Communication with Shareholders

- Principal 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company publishes its media releases, quarterly financial results and annual reports through the SGXNET and in news releases.

All of the Company's information, press releases, financial information, stock information, corporate development and annual reports can be found on Company's website, www.statschippac.com.

Contact details for Investor Relations are provided on the Company's website.

The Company encourages regular dialogue with shareholders and holds a conference call with investors and analysts to discuss the Company's result and business outlook following the quarterly release.

The Company has not paid dividends in the past and does not expect to pay dividends for the foreseeable future as any profits are presently intended to be reinvested in the Company. Any dividend payment will be at the discretion of our directors and subject to our financial performance, financial condition, capital requirements and contractual obligations.

Conduct of Shareholder Meetings

- Principal 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

STATS ChipPAC places great importance on the AGM and other general meetings as STATS ChipPAC sees such meetings as good opportunities for meeting the shareholders and investors and attending to their concerns and questions.

The Articles of Association of STATS ChipPAC allows the shareholder to appoint not more than two proxies to attend and vote on behalf of the shareholder in his/her absence. Voting in absentia is not allowed.

At the AGM, matters requiring approval are proposed as separate resolutions. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. Members of the Board and Management are present to address these questions and obtain feedback from shareholders. The external auditors are also present to assist the Board. Minutes of shareholders meetings are available on request for registered shareholders.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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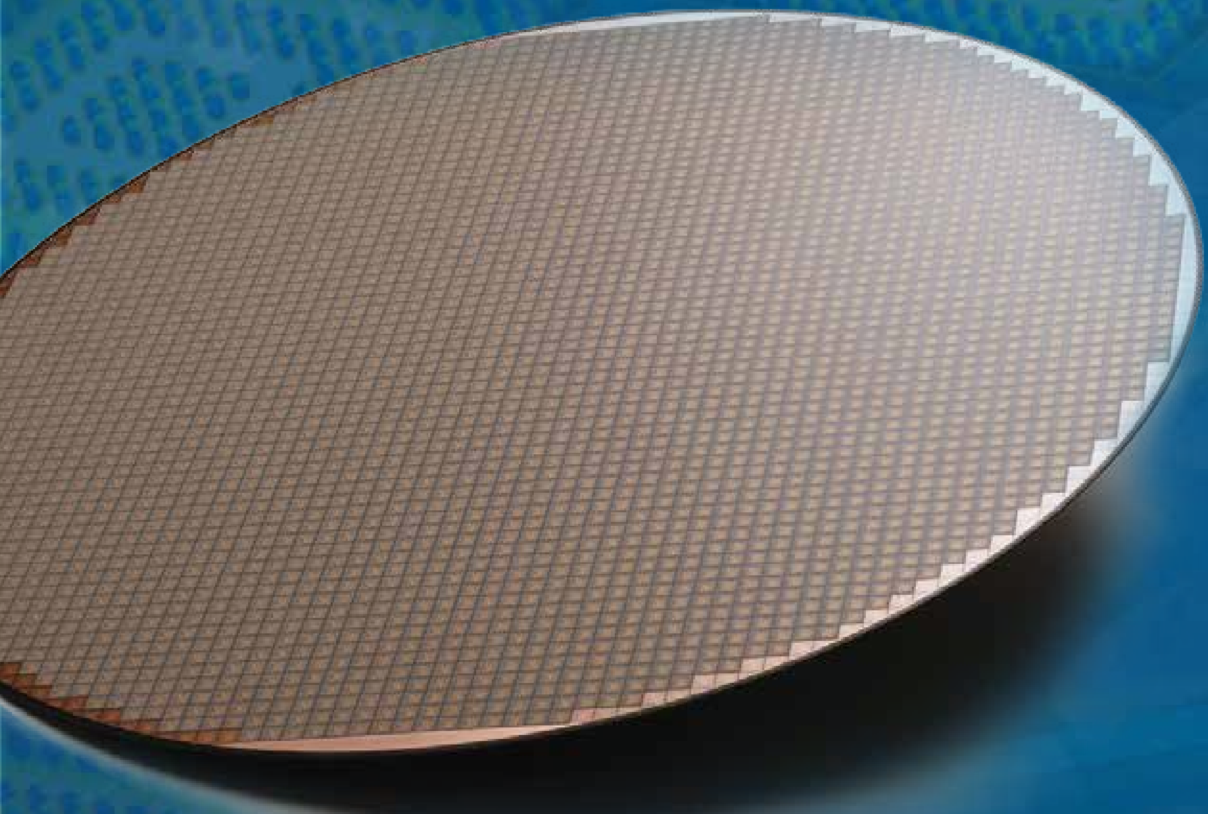

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 29 December 2013

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 29 December 2013 and the unconsolidated statement of financial position of the Company as at 29 December 2013.

Directors

The directors of the Company in office at the date of this report are:

James A. Norling	(Chairman, appointed with effect from 24 April 2013)
Tan Lay Koon	(President and Chief Executive Officer)
Peter Seah Lim Huat	
R. Douglas Norby	
Teng Cheong Kwee	
Rohit Sipahimalani	
Pasquale Antonio Pistorio	
Gary Windle Tanner	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Directors' interests in shares or debentures" and "Equity Compensation Benefits" of this report.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest or was deemed to have any interest in the shares or debentures of the Company or its related corporations, except as follows:

The Company – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Tan Lay Koon	107,333	107,333
Peter Seah Lim Huat	6,900	6,900
R. Douglas Norby	6,900	6,900

The Company - Options to acquire ordinary shares

	At Beginning of Year	At End of Year	Per Share Exercise Price S$	Exercisable Period
Tan Lay Koon	700,000	--	1.99	06/08/2004 to 05/08/2013
	500,000	500,000	1.91	17/02/2005 to 16/02/2014
Peter Seah Lim Huat	70,000	--	1.99	06/08/2004 to 05/08/2013
	35,000	35,000	1.91	17/02/2005 to 16/02/2014

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 29 December 2013

Directors' interests in shares or debentures (continued)

The Company – Awards under STATS ChipPAC Ltd. Performance Share Plan 2013

	At Beginning of Year	At End of Year
Tan Lay Koon	--	1,951,037

Singapore Telecommunications Limited – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Tan Lay Koon	190	190
Peter Seah Lim Huat	3,040	3,217

Singapore Technologies Engineering Limited – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	526,025	545,325

Starhub Ltd – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	540,762	556,192

Starhub Ltd – Unvested restricted shares

	At Beginning of Year	At End of Year	Performance Period
Peter Seah Lim Huat	5,330 (1)	--	01/01/2009 to 31/12/2010 (1)

Telechoice International Limited – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	50,000	50,000

Notes:

(1) Balance of unvested restricted shares to be released according to the stipulated vesting periods.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and 19 January 2014.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 29 December 2013

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Equity Compensation Benefits

The Executive Resource and Compensation Committee ("**ERCC**"), comprising three directors, namely Peter Seah Lim Huat (Chairman) who was appointed on 24 April 2013 replacing Mr. Charles R. Wofford, R. Douglas Norby and Gary W. Tanner, is responsible for administering the STATS ChipPAC Ltd. Substitute Share Purchase and Option Plan, the STATS ChipPAC Ltd. Substitute Equity Incentive Plan, the STATS ChipPAC Share Option Plan, as amended and the STATS ChipPAC Ltd. Performance Share Plan 2013 (collectively, the "**Share Plans**").

During the financial year, except as disclosed below, there were no options granted to acquire unissued shares of the Company and no ordinary shares were issued by the Company to any person.

During the financial year, and since the commencement of the relevant Share Plan, except as disclosed below, no options and/or Awards (as defined below) have been granted to controlling shareholders of the Company or its associates or to directors or employees of Temasek Holdings (Pte) Ltd. or its associates and no employees have received 5% or more of the total options and/or Awards under any of the Share Plans.

STATS ChipPAC Ltd. Substitute Share Purchase and Option Plan (the "Substitute Option Plan") and STATS ChipPAC Ltd. Substitute Equity Incentive Plan (the "Substitute EIP", and together with the Substitute Option Plan, the "Substitute Plans")

(i) In connection with the merger between STATS ChipPAC Ltd. and ChipPAC, Inc., the Company adopted the Substitute Plans to enable substitute options to be granted to holders of options granted under the ChipPAC 1999 Stock Purchase and Option Plan and the ChipPAC 2000 Equity Incentive Plan.

(ii) Details of options granted to directors of the Company under the Substitute Plans are as follows:

	Options granted during financial year	Aggregate options granted since commencement of the Substitute Plans to 29 December 2013	Aggregate options exercised since commencement of the Substitute Plans to 29 December 2013	Aggregate options outstanding as at 29 December 2013
James A. Norling	--	--	--	--
Tan Lay Koon	--	--	--	--
Peter Seah Lim Huat	--	--	--	--
R. Douglas Norby	--	435,000	--	--
Teng Cheong Kwee	--	--	--	--
Rohit Sipahimalani	--	--	--	--
Pasquale A. Pistorio	--	--	--	--
Gary W. Tanner	--	--	--	--
Charles R. Wofford *	--	--	--	--

* Retired as a director of the Company with effect from 24 April 2013.

(iii) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issuance of any other company.

(iv) As at the end of the financial year, unissued ordinary shares of the Company under the Substitute Plans are as follows:

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 29 December 2013

Number of optionholders	Exercise Period From	Exercise Period To	Total	Exercise Price (S$)
20	05/02/2005	04/02/2014	24,931	1.36
Total			**24,931**	

(v) Since the commencement of the Substitute Plans to the end of the financial year, an aggregate of 80,105,914 options were granted and out of these options granted, 18,104,877 options have lapsed.

(vi) The Substitute Plans were terminated at the Annual General Meeting of the Company held in April 2013.

STATS ChipPAC Share Option Plan, as amended (the "Share Option Plan")

(i) The ST Assembly Test Services Ltd Share Option Plan 1999 (the "**STATS 1999 option plan**") was approved and adopted by the members at the Annual General Meeting in May 1999. Subsequently, the STATS 1999 option plan was re-named the STATS ChipPAC Share Option Plan. The STATS ChipPAC Share Option Plan, as amended, was phased out as of December 2006. Since December 2006, no options have been granted under the STATS ChipPAC Share Option Plan.

(ii) Details of options granted to directors of the Company under the Share Option Plan are as follows:

	Options granted during financial year	Aggregate options granted since commencement of the Share Option Plan to 29 December 2013	Aggregate options exercised since commencement of the Share Option Plan to 29 December 2013	Aggregate options outstanding as at 29 December 2013
James A. Norling	--	--	--	--
Tan Lay Koon	--	7,574,000	--	500,000
Peter Seah Lim Huat	--	265,000	--	35,000
R. Douglas Norby	--	120,000	--	--
Teng Cheong Kwee	--	205,000	--	--
Rohit Sipahimalani	--	--	--	--
Pasquale A. Pistorio	--	--	--	--
Gary W. Tanner	--	--	--	--
Charles R. Wofford *	--	600,000	45,000	--

* Retired as a director of the Company with effect from 24 April 2013.

(iii) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

(iv) As at the end of the financial year, unissued ordinary shares of the Company under the Share Option Plan are as follows:

Number of optionholders	Exercise Period From	Exercise Period To	Total	Exercise Price (S$)
78	17/02/2005	16/02/2014	1,308,875	1.91
6	11/08/2005	10/08/2014	15,175	1.06
8	03/05/2006	02/05/2015	23,446	1.01
10	31/10/2006	30/10/2015	27,571	0.925
Total			**1,375,067**	

(v) The number of ordinary shares that may be issued under the Share Option Plan may not exceed, in the aggregate, 198 million ordinary shares (subject to anti-dilution adjustments pursuant to the plan), including 80 million ordinary shares that may be issued under the Substitute Plans.

(vi) Since the commencement of the Share Option Plan to the end of the financial year, an aggregate of 151,107,405 options were granted and out of these options granted, 68,934,281 options have lapsed.

STATS ChipPAC Ltd. Performance Share Plan 2013 (the "PSP 2013")

(i) The PSP 2013 was approved and adopted by the members at the Annual General Meeting of the Company held in April 2013. The purpose of the PSP 2013 is to retain staff whose contributions are essential to the well-being and prosperity of the Company and its subsidiaries ("**Group**") and to give recognition to senior employees and executive directors of the Group who have contributed to the Group. The PSP 2013 will give participants an opportunity to have a personal equity interest in the Company.

(ii) Employees of the Group who have attained the age of 21 years and hold such rank as may be designated by the ERCC, unless they are also controlling shareholders (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST Listing Manual**")) of the Company or associates (as defined in the SGX-ST Listing Manual) of such controlling shareholders, shall be eligible to participate in the PSP 2013 at the absolute discretion of the ERCC.

(iii) Awards granted under the PSP 2013 (each, an "**Award**") represent the right of a participant to receive fully paid ordinary shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets and other conditions are met in accordance with the terms of the PSP 2013. Participants are not required to pay for the grant of Awards.

(iv) Vesting of Awards and determination of the number of ordinary shares deliverable at the end of the performance period will depend on the extent of achievement of the strategic corporate performance condition(s) pre-set at the beginning of the performance period.

(v) The total number of ordinary shares which may be delivered pursuant to Awards granted under the PSP 2013 on any date, when added to:

(a) the total number of new ordinary shares allotted and issued and/or to be allotted and issued, issued ordinary shares (including treasury shares) delivered and/or to be delivered, and ordinary shares delivered and/or to be delivered in the form of cash in lieu of ordinary shares, pursuant to Awards granted under the PSP 2013; and

(b) the total number of ordinary shares which may be delivered pursuant to options and/or awards granted under any other share scheme adopted by the Company after the adoption date of the PSP 2013 and for the time being in force,

shall not exceed 10% of the total number of issued ordinary shares (excluding ordinary shares held by the Company as treasury shares) on the date preceding the date of the relevant Award.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 29 December 2013

(vi) Details of Awards granted under the PSP 2013 are as follows:

Name of Participant	Awards granted during the financial year	Aggregate Awards granted since the commencement of PSP 2013 to 29 December 2013	Awards vested during the financial year	Aggregate Awards outstanding as at 29 December 2013
Director and CEO of the Company Tan Lay Koon	1,951,037	1,951,037	--	1,951,037
Group Executives (excluding Tan Lay Koon)	5,200,162	5,200,162	--	5,200,162

(vii) Since the commencement of the PSP 2013 to the financial year ended 29 December 2013, 7,151,199 Awards have been granted under the PSP 2013, representing the number of ordinary shares to be delivered if the performance targets set by the ERCC are achieved. No ordinary shares were delivered under the PSP 2013. No participant has received ordinary shares pursuant to vested Awards granted under the PSP 2013 which represent 5% or more of the total number of ordinary shares available under the PSP 2013, and there were no vested Awards during the financial year.

Limits under the SGX-ST Listing Manual on the Issue of Shares Pursuant to our Share Plans

Under the listing rules of the SGX-ST, the aggregate number of shares which could be issued under all the share plans of the Company shall not exceed 15% of the total number of the Company's issued shares from time to time (excluding any treasury shares).

Other details of the Company's share options and incentive plans are set out in the accompanying consolidated financial statements.

Audit Committee

The members of the Audit Committee (all of whom are non-executive directors, the majority of whom, including the chairman, is independent) at the date of this report are as follows:

R. Douglas Norby (Chairman)
Teng Cheong Kwee
Rohit Sipahimalani

The Audit Committee performs the functions specified by Section 201B of the Companies Act, Cap. 50. It meets with the Company's external auditors and the internal auditors, and reviews the audit plans, the internal audit programme, the results of their examination and findings on their evaluation of the system of internal controls, the scope and results of the internal control procedures and the response from the Company's management and the assistance given by the officers of the Company to the auditors. It also reviews interested person transactions and the Company's relationship with the auditors, including their independence and objectivity. The Audit Committee reviews the consolidated financial statements of the Group and the unconsolidated statement of financial position of the Company and the auditors' report thereon and submits them to the Board of Directors for approval. The Audit Committee has full access to and the cooperation of the management and has been given the resources required for it to discharge its functions. The Audit Committee has full discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has recommended to the Board of Directors that the auditors, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor of the Company at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

James A. Norling
Chairman

Tan Lay Koon
President and Chief Executive Officer

Singapore
14 March 2014

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS
For the financial year ended 29 December 2013

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the unconsolidated statement of financial position of the Company as set out on pages 43 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company at 29 December 2013, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

James A. Norling
Chairman

Tan Lay Koon
President and Chief Executive Officer

Singapore
14 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STATS CHIPPAC LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of STATS ChipPAC Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 94, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 29 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 29 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
14 March 2014

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	29 December 2013 $'000	30 December 2012 $'000
ASSETS			
Current assets:			
Cash and cash equivalents	5	129,136	170,558
Short-term bank deposits	6	42,042	39,601
Accounts receivable, net	7	238,441	258,043
Other receivables	8	15,239	20,726
Inventories	9	71,055	90,203
Prepaid expenses and other current assets		18,970	24,559
Total current assets		514,883	603,690
Non-current assets:			
Long-term bank deposits	6	11,604	489
Property, plant and equipment, net	10	1,431,247	1,242,950
Intangible assets	11	35,117	36,361
Goodwill	12	381,487	381,487
Deferred tax assets		186	–
Prepaid expenses and other non-current assets		3,146	3,299
Total non-current assets		1,862,787	1,664,586
Total assets		2,377,670	2,268,276
LIABILITIES			
Current liabilities:			
Accounts and other payable		138,004	164,301
Payables related to property, plant and equipment purchases		141,998	42,746
Accrued operating expenses	13	124,640	113,476
Income taxes payable		18,207	13,155
Short-term borrowings	15	37,947	50,690
Short-term amounts due to related parties	29	100	28
Total current liabilities		460,896	384,396
Non-current liabilities:			
Long-term borrowings	15	874,281	792,609
Deferred tax liabilities	14	47,476	47,141
Other non-current liabilities	17	24,228	21,532
Total non-current liabilities		945,985	861,282
Total liabilities		1,406,881	1,245,678
EQUITY			
Share capital	23	873,666	873,666
Retained earnings		51,478	98,971
Other reserves	24	(7,712)	(1,828)
Equity attributable to equity holders of STATS ChipPAC Ltd.		917,432	970,809
Non-controlling interest		53,357	51,789
Total equity		970,789	1,022,598
Total liabilities and equity		2,377,670	2,268,276

The accompanying notes form an integral part of these financial statements.

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 29 December 2013 $'000	Year Ended 30 December 2012 $'000
Net revenues		1,598,522	1,701,549
Cost of revenues		(1,380,941)	(1,414,045)
Gross profit		217,581	287,504
Operating expenses:			
Selling, general and administrative		96,140	122,958
Research and development		46,432	51,722
Restructuring charges	26	1,886	5,715
Exchange offer and redemption expenses		15,701	–
Write-off of debt issuance costs		2,392	–
Operating expenses		162,551	180,395
Goodwill impairment		–	24,100
Equipment impairment		–	3,819
Total operating expenses		162,551	208,314
Operating income before exceptional items		55,030	79,190
Plant closure costs		(36,909)	–
Flood related insurance settlement		19,582	26,741
Flood related plan charges		(3,000)	(10,061)
Operating income after exceptional items	19	34,703	95,870
Other income (expenses), net:			
Interest income		1,334	1,518
Interest expense		(54,459)	(59,829)
Foreign currency exchange gain		3,641	583
Share of loss of associate		–	(739)
Other non-operating income (expenses), net	21	(1,969)	477
Total other expenses, net		(51,453)	(57,990)
Income (loss) before income taxes		(16,750)	37,880
Income tax expense	14	(22,329)	(14,023)
Net income (loss) for the year		(39,079)	23,857
Less: Net income attributable to the non-controlling interest		(8,414)	(7,294)
Net income (loss) attributable to STATS ChipPAC Ltd.		(47,493)	16,563
Net income (loss) per ordinary share attributable to STATS ChipPAC Ltd.:	22		
– Basic		$ (0.02)	$ 0.01
– Diluted		$ (0.02)	$ 0.01

The accompanying notes form an integral part of these financial statements.

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year Ended	
	Note	29 December 2013 $'000	30 December 2012 $'000
Net income (loss) for the year		(39,079)	23,857
Other comprehensive income (loss):			
Cash flow hedges	24	(389)	13,850
Foreign currency translation adjustment	24	(7,210)	4,367
Comprehensive income (loss), net of tax		(7,599)	18,217
Total comprehensive income (loss), net of tax		(46,678)	42,074
Total comprehensive income (loss), net of tax attributable to:			
STATS ChipPAC Ltd.		(53,377)	32,716
Non-controlling interest		6,699	9,358
		(46,678)	42,074

The accompanying notes form an integral part of these financial statements.

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of STATS ChipPAC Ltd.						
	Share Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Hedging Reserve $'000	Total Equity Attributable to STATS ChipPAC Ltd. $'000	Non-controlling Interest $'000	Total Equity $'000
2013							
Balances at 31 December 2012	873,666	98,971	(2,349)	521	970,809	51,789	1,022,598
Total comprehensive income (loss), net of tax	–	(47,493)	(5,495)	(389)	(53,377)	6,699	(46,678)
Dividends paid by subsidiary	–	–	–	–	–	(5,131)	(5,131)
Balances at 29 December 2013	873,666	51,478	(7,844)	132	917,432	53,357	970,789
2012							
Balances at 26 December 2011	873,666	82,408	(4,652)	(13,329)	938,093	47,602	985,695
Total comprehensive income, net of tax	–	16,563	2,303	13,850	32,716	9,358	42,074
Dividends paid by subsidiary	–	–	–	–	–	(5,171)	(5,171)
Balances at 30 December 2012	873,666	98,971	(2,349)	521	970,809	51,789	1,022,598

The accompanying notes form an integral part of these financial statements.

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 29 December 2013 $'000	Year Ended 30 December 2012 $'000
Cash Flows From Operating Activities		
Net income (loss) for the year	(39,079)	23,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Income tax expense	22,329	14,023
Depreciation and amortisation	302,508	286,407
Gain on sale of property, plant and equipment	(1,816)	(1,243)
Goodwill impairment	–	24,100
Asset impairment	20,730	3,819
Exchange offer and redemption expenses	15,701	–
Write-off of debt issuance costs	2,392	–
Foreign currency exchange (gain) loss	(948)	636
Share of loss of associate	–	739
Interest income	(1,334)	(1,518)
Interest expense	54,459	59,829
Others	(3,303)	(2,405)
Changes in working capital:		
Accounts receivable	19,602	(34,961)
Inventories	19,148	(994)
Other receivables, prepaid expense and other assets	(4,983)	4,801
Accounts payable, accrued operating expenses and other payables	(8,253)	12,123
Amounts due to related parties	72	–
Income tax paid	(16,729)	(14,014)
Net cash provided by operating activities	380,496	375,199
Cash Flows From Investing Activities		
Proceeds from maturity of bank deposits	85,410	88,288
Purchases of bank deposits	(89,248)	(82,938)
Acquisition of intangible assets	(5,163)	(5,424)
Purchases of property, plant and equipment	(408,214)	(387,067)
Proceeds from divestment of associate	–	10,436
Interest received	607	1,231
Proceeds from sale of property, plant and equipment and others	3,927	4,099
Net cash used in investing activities	(412,681)	(371,375)
Cash Flows From Financing Activities		
Repayment of bank borrowings	(235,483)	(108,300)
Proceeds from issuance of senior notes	255,000	–
Debt issuance costs	(7,400)	–
Repurchase and redemption of senior notes	(255,719)	–
Exchange offer of senior notes	(24,933)	–
Proceeds from bank borrowings	314,731	139,300
Distribution to non-controlling interest in subsidiary	(4,936)	(5,054)
Grants received	4,780	2,233
Interest paid	(55,750)	(56,217)
(Increase) decrease in restricted cash	489	(21)
Net cash used in financing activities	(9,221)	(28,059)
Net decrease in cash and cash equivalents	(41,406)	(24,235)
Effect of exchange rate changes on cash and cash equivalents	(16)	(18)
Cash and cash equivalents at beginning of the year	170,558	194,811
Cash and cash equivalents at end of the year	129,136	170,558

The accompanying notes form an integral part of these financial statements.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes form an integral part of the consolidated financial statements.

1. General Information

STATS ChipPAC Ltd. ("STATS ChipPAC" or the "Company" and together with its subsidiaries, the "Group") is an independent provider of a full range of semiconductor packaging design, bump, probe, assembly, test and distribution solutions. STATS ChipPAC is headquartered in Singapore and has manufacturing facilities in South Korea, Singapore, China, Malaysia, and Taiwan (which includes the facilities of the Company's 52%-owned Taiwan subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation). STATS ChipPAC markets its services through its direct sales force in the United States, Singapore, South Korea, China, Malaysia, Taiwan, Japan and Switzerland.

STATS ChipPAC is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is incorporated and domiciled in Singapore. The registered office of the Company is at 10 Ang Mo Kio Street 65 Techpoint #05-17/20 Singapore 569059.

2. Presentation of Financial Statements

The financial statements of STATS ChipPAC comply with the Singapore Financial Reporting Standards ("FRS").

The financial statements for the year ended 29 December 2013 (including comparatives) were approved and authorised for issue by the board of directors on 14 March 2014.

3. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except as disclosed in the accounting policies below. The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements.

The financial statements are presented in US dollars ("US$" or "$") and all values are rounded to the nearest thousand ("$'000") except where otherwise indicated.

(b) Changes in Significant Accounting Policies and Disclosure

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 30 December 2013 or later periods and which the Group has not early adopted:

- FRS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (revised 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 107 Disclosures-Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)

The Group does not expect the adoption of the above FRSs, Interpretations of FRSs and amendments to FRS in the future periods to have a material impact on the financial statements of the Group in the period of their initial adoption.

(c) Fiscal/Financial Year

STATS ChipPAC's 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. STATS ChipPAC's fiscal quarters end on a Sunday and are generally thirteen weeks in length. Fiscal year 2013, a 52-week year, ended on 29 December 2013, and fiscal year 2012, a 53-week year, ended on 30 December 2012. Unless otherwise stated, all years and dates refer to STATS ChipPAC's fiscal years.

(d) Principles of Consolidation and Subsidiaries

The consolidated financial statements include the consolidated accounts of STATS ChipPAC and its majority-owned subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights, or by way of contractual agreement unless in exceptional circumstances it can be demonstrated that ownership does not constitute control.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company and adjustments are made to bring any dissimilar accounting policies that may exist with the policies adopted by the Group. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Non-controlling interests represent the portion of total comprehensive income and net assets in subsidiaries that is not held by the Group.

(e) Business Combination

Business combinations are accounted for using the acquisition method of accounting. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. The consideration transferred for the acquisition is measured as the cash paid, the fair value of other assets given and equity instruments issued by the acquirer and liabilities incurred or assumed at the date of exchange by the acquirer to the former owners of the acquiree. The transaction cost of an acquisition is recognised as expenses in the periods in which the costs are incurred and the services are rendered. Any excess of the consideration transferred over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

(f) Issuances of Stock by Subsidiaries

Changes in the Group's proportionate share of the underlying net equity of a subsidiary, which result from the issuance of additional stock to third parties, are recognised as increases or decreases to equity.

(g) Foreign Currency Transactions

The Company predominantly utilises the U.S. dollar as its functional currency, which reflects the economic environment in which the activities of the Group are largely exposed to. Assets and liabilities which are denominated in foreign currencies are converted into the functional currency at the rates of exchange prevailing at the balance sheet date. Income and expenses which are denominated in foreign currencies are converted at the average rates of exchange prevailing during the period. Foreign currency transaction gains or losses are included in results of operations.

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STATS ChipPAC Taiwan Semiconductor Corporation designates the New Taiwan Dollar as its functional currency. Where the functional currency of a subsidiary is other than the Company's U.S. dollar reporting currency, the financial statements are translated into U.S. dollars using exchange rates prevailing at the balance sheet date for assets and liabilities and average exchange rates for the reporting period for the results of operations. Adjustments resulting from translation of such foreign subsidiary financial statements are reported within accumulated other comprehensive income (loss), which is reflected as a separate component of equity.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have original maturities of three months or less. Cash and cash equivalents consisted of cash, deposit accounts and money market funds.

Investments in securities, investments or bank accounts subject to restrictions, other than restrictions due to regulations specific to a country's exchange controls or activity sector, are not presented as cash and cash equivalents but as restricted cash. Restricted cash consists of time deposits and government bonds held in connection with foreign regulatory requirement and as collateral for bank loans.

(i) Derivative Instruments and Hedging Activities

The Group has established risk management policies for committed or forecasted exposures to protect against volatility of future cash flows. These programs reduce, but do not always entirely eliminate, the impact of the currency exchange, interest rate or commodities price movements. The Group uses derivative financial instruments such as forward currency contracts and interest rate swap contracts to hedge its risks associated with foreign currency rate movement arising from its operations in various countries and interest rate fluctuations.

The Group recognises all derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of derivatives and the effect on the consolidated financial statements will depend on the derivatives' hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair values of cash flows of the asset or liability hedged. Ineffectiveness of the hedge or termination of the hedged transaction requires amounts to be classified from other comprehensive income (loss) to earnings.

Certain foreign currency forward contracts entered into to economically hedge certain committed exposures are not designated as hedges. Accordingly, the changes in fair value of these foreign currency forward contracts are reported in earnings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur or is unrecoverable, the net cumulative gain or loss recognised in equity is reported in earnings.

(j) Financial Assets

The Group classifies its financial assets at initial recognition in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Group has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortised cost, adjusted for the amortisation or accretion of premiums or discounts. Unrealised holding gains and losses on trading securities are included in earnings. Unrealised holding gains and losses, net of the

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related tax effect, if any, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive loss until realised. Realised gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of individual available-for-sale or held-to-maturity securities below cost that is deemed to be other than temporary results in a reduction in its carrying amount to fair value, with the impairment charge related to credit losses being recognised in earnings, and amounts related to all other factors being recognised in other comprehensive loss. Premiums and discounts are amortised or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income are recognised when earned. On disposal or impairment of the securities, the cumulative gains and losses recognised in other comprehensive income is reclassified from the equity to profit or loss.

(k) Accounts and Other Receivables

Accounts and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are made for collectability of accounts receivable when there is doubt as to the collectability of individual accounts. The fair value of accounts and other receivables is not materially different from the carrying value presented. Collectability is assessed based on the age of the balance, the customer's historical payment history, its current credit-worthiness and current economic trends.

(l) Inventories

Inventories are stated at the lower of standard cost, which approximates actual cost determined on the weighted average basis, and net realisable value. Cost is generally computed on a standard cost basis, based on normal capacity utilisation, with unrecoverable costs arising from underutilisation of capacity expensed when incurred. Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal. Reserves are established for excess and obsolete inventories based on estimates of salability and forecasted future demand. The Group generally does not take ownership of customer supplied semiconductors, and accordingly does not include them as part of its inventories.

(m) Goodwill

Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is reviewed for impairment on an annual basis for its cash-generating-unit ("CGU"), and whenever there is an indication that the carrying value may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

(n) Intangible Assets

The Group capitalises direct costs associated with acquisition, development or purchase of patent rights and technology licenses for use in its processes. These costs are amortised over the shorter of the useful life or license period. In addition, intangible assets acquired in business combinations accounted for under the acquisition method of accounting are recorded at fair value on the Group's consolidated balance sheet at the date of acquisition. Management considered a number of factors when estimating fair value, including appraisals, discounted cash flow analysis, estimated royalty rates and appropriate market comparables.

Acquired intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line method over the following periods:

Tradenames	7 years
Technology and intellectual property	10 years
Customer relationships	2 years
Patents	18 to 19 years
Software and licenses	3 to 5 years

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(o) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line method over the following periods:

Leasehold land and land use rights	50 to 99 years
Buildings, mechanical and electrical installation	3 to 25 years
Equipment	2 to 8 years

No depreciation is provided on property, plant and equipment under installation or construction and freehold land. Repairs and replacements of a routine nature are expensed, while those that extend the life of an asset are capitalised. Plant and equipment under finance leases are stated at the present value of minimum lease payments and are amortised straight-line over the estimated useful life of the assets.

(p) Impairment

The Group assesses at each reporting date, or when annual impairment assessment for an asset is required, whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In estimating fair value, the Group considers the estimated market value from vendors and prices of similar assets and comparable market analyses. In assessing value in use, being the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The estimates of fair value are determined using various valuation techniques with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires the Group to make various judgmental assumptions including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Group’s budget and long-term plans.

Impairment losses recognised in respect of property, plant and equipment and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognised.

(q) Accounts and Other Payable

Accounts and other payables are stated at their nominal value. The fair value of accounts and other payable is not materially different from the carrying value presented.

(r) Interest Bearing Loans and Other Borrowings

Interest bearing loans and other borrowings are recognised initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement on an effective interest basis.

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Borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale, are capitalised until the assets are substantially completed for their intended use or sale.

(s) Equity Instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Revenue Recognition

Revenue is derived primarily from wafer probe and bumping, packaging and testing of semiconductor integrated circuits. Net revenues represent the invoiced value of goods and services rendered net of returns, trade discounts and allowances, and excluding goods and services tax.

Revenue is recognised when all significant risks and rewards of ownership of the goods and services are transferred to the customer. Significant risks and rewards are generally considered to be transferred to the customers when the customer has taken undisputed delivery of the goods.

The Group generally does not take ownership of customer supplied semiconductors as these materials are sent to the Group on a consignment basis. Accordingly, the values of the customer supplied materials are neither reflected in revenue nor in cost of revenue.

Provisions are made for estimates of potential sales returns and discounts allowance for volume purchases and early payments and are recorded as a deduction from gross revenue based upon historical experience and expectations of customers' ultimate purchase levels and timing of payment. Specific returns and discounts are provided for at the time their existence is known and the amounts are estimable.

(u) Grants

Government grants relating to property plant and equipment used for research and development activities are treated as deferred income and are credited to income on the straight-line basis over the estimated useful lives of the relevant assets. Other grants on subsidies of training and research and development expenses are credited to income when it becomes probable that expenditures already incurred will constitute qualifying expenditures for purposes of reimbursement under the grants, which is typically substantially concurrent with the expenditures.

(v) Share-Based Compensation

The Group maintains share-based compensation that grants contingent share awards or share purchase options to directors and employees of the Group. The cost of share-based compensation is measured at fair value at the date at which they are granted and is expensed on a straight-line basis over the vesting period. The fair value of share awards with non-market vesting conditions is determined based on the Group's estimate of awards and options that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. Any cumulative adjustment prior to vesting date is recognised in the current period. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

(w) Employee Benefit Plans

The Group provides post employment benefits through defined benefit plans as well as various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several state plans for individual employees that are considered defined contribution plans.

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The defined benefit plans sponsored by the Group defines the amount of pension benefit that an employee will receive on retirement by reference to length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Short-term employee benefits in respect of wages and salaries, annual leave and sick leave are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(x) Leases

Agreements under which payments are made to owners in return for the right to use an asset for a period are accounted for as leases. Leases that transfer substantially all the risks and rewards of ownership are recognised at the commencement of the lease term as finance leases within property, plant and equipment and debt at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance lease payments are apportioned between interest expense and repayments of debt. All other leases are recorded as operating leases and the costs are recognised in income on a straight-line basis term, even if the payments are not made on such a basis.

(y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past event, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

The Group guarantees that work performed will be free from any defects in workmanship, materials and manufacture generally for a period ranging from three to twelve months to meet the stated functionality as agreed to in each sales arrangement. Products are tested against specified functionality requirements prior to delivery, but the Group nevertheless from time to time experiences claims under its warranty guarantees. The Group accrues for estimated warranty costs under those guarantees based upon historical experience, and for specific items at the time their existence is known and the amounts are determinable.

(z) Research and Development

As the Group cannot definitively distinguish the research phase from the development phase of its internal projects to create intangible assets, the Group treats the expenditure on its internal projects as if they were incurred in the research phase only. Accordingly, all research and development costs are expensed as incurred.

(aa) Income Taxes

Tax expense recognised in earnings comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting periods, that are unpaid or estimated to be payable at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. However, deferred tax is not provided on the initial

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recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination and affects tax or accounting profit. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

In the ordinary course of business there is inherent uncertainty in quantifying the Group's income tax positions. The Group assesses its income tax positions and record tax benefits for all years subject to examination based upon evaluation of the facts, circumstances, and information available at the reporting dates.

(bb) Earnings per Share

Basic earnings per share is computed by dividing net income attributable to ordinary shareholders of STATS ChipPAC Ltd. by the weighted average shares outstanding during the year. Diluted earnings per share is calculated by assuming conversion or exercise of all potentially dilutive share options outstanding during the period plus other dilutive securities outstanding, such as convertible notes.

(cc) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by management (chief operating decision makers) for the purpose of making decisions about resources to be allocated and for assessing performance. Commencing in 2013, the Group realigned its segment reporting for packaging and test business as a single business unit delivering turnkey packaging and test solutions to customers. The Group considered developments and changes in its business to align the identification of its operating segments.

4. Critical Accounting Assumptions and Estimation Uncertainty

The preparation of financial statements requires the Group's management to make certain assumptions and estimates that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Despite regular reviews of these assumptions and estimates, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these assumptions and estimate which could impact the reported amount of the Group's assets, liabilities, equity or earnings. These assumptions and estimates are detailed in the following areas:

Revenue Recognition

Revenue recognition is impacted by the Group's ability to estimate sales incentives, expected returns and provisions for uncollectible receivables. The Group makes estimates of potential sales returns and discounts in which allowance for volume purchases and early payments is made as a deduction from gross revenue based on historical experience and expectations of the customers' ultimate purchase levels and payment timing. Actual revenues may differ from estimates if future customer purchases or payment timing differ, which may happen as a result of changes in general economic conditions, market demand for the customers' products, or by customers' desire to achieve payment timing discounts.

Allowances are made for collectability of accounts receivable when there is doubt as to the collectability of individual accounts. The Group considers various factors, including a review of specific transactions, age of the balance, the creditworthiness of the customers, historical payment experience and market and economic conditions when determining provisions for uncollectible receivables. Estimates are evaluated on a periodic basis to assess the adequacy of the estimates. The Group mitigates its credit risk through credit evaluation process, credit policies, and credit control and collection procedures but these methods cannot eliminate all potential credit risk losses. The actual level of debt collected may differ from the estimated levels of recovery and additional allowances may be required in the future.

Valuation of Inventory

The valuation of inventory requires the Group to estimate obsolete or excess inventory as well as inventory that are not of saleable quality. The determination of obsolete or excess inventory requires the Group to estimate the future demand from our customers within specific time horizons, generally six months or less. The estimates of future demand that is used in the valuation of inventories are based on the forecasts provided by the customers. If inventory for specific customer forecast is greater than actual demand, the Group may be required to record additional inventory reserves.

Depreciation and Amortisation

The Group's operations are capital intensive and the Group has significant investment in testing and packaging equipment. The Group depreciates its property, plant and equipment based on its estimate of the period that the Group expects to derive economic benefits from their use. The estimates of economic useful lives are set based on historical experience, future expectations and the likelihood of technological obsolescence arising from changes in production techniques or in market demand for the use of our equipment and machinery. However, business conditions, underlying technology and customers' requirements may change in the future which could cause a change in the useful lives. Any change in useful lives could have a significant effect on the Group's future operating results.

Valuation of Property, Plant and Equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Management judgment is critical in assessing whether events have occurred that may impact the carrying value of property, plant and equipment.

Due to the nature of the business, which may include sudden changes in demand in the end markets, and due to the fact that certain equipment is dedicated to specific customers, the Group may not be able to anticipate declines in the utilisation of its equipment and machinery. Generally, the Group considers consecutive quarterly utilisation rate declines or projected utilisation deterioration or implication of natural disasters as principal factors for its impairment review. Consequently, additional impairment charges may be necessary in the future and this could have a significant negative impact on future operating results.

In determining the recoverable amount of equipment and machinery, the Group considers offers to purchase such equipment, comparable market analyses and expected future discounted cash flows. Discounted cash flows involves management estimates on selling prices, market demand and supply, economic and regulatory climates, production cost estimation, discount rates and other factors. Any subsequent changes to the discounted cash flow due to changes in the above mentioned factors could impact on the carrying value of the assets.

Deferred Tax Asset and Uncertain Income Tax Positions

Tax provisions are recognised when it is considered probable (more likely than not) that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in income in the period in which the change occurs.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets upon reversal. This requires assumptions regarding future business plan, profitability, tax planning strategies and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as the amounts recognised in income in the period in which the change occurs.

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Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognised in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Valuation of Goodwill

Goodwill is reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The determination of the recoverable amount of a CGU (or group of CGUs) to which goodwill is allocated involves the use of estimates by management. Fair value is determined based on a weighting of market or income approaches, or combination of both. Under the market approach, fair value is estimated based on market multiples of revenue or earnings for comparable companies. Under the income approach, fair value is estimated based on the present value of estimated future cash flows. Determining fair value is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Contingencies

The Group is subject to claims and litigations, which arise in the normal course of business. These claims and litigations may include allegations of infringement of intellectual property rights of others, disputes over tax assessments, environmental liability, labour, products, as well as other claims of liabilities.

The Group assesses the likelihood of an adverse judgment or outcome for these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis. The required reserves may change in the future due to new developments impacting the probability of a loss, the estimate of such loss, and the probability of recovery of such loss from third parties.

5. Cash and Cash Equivalents

	29 December 2013 $'000	30 December 2012 $'000
Cash at banks and on hand	84,694	87,680
Cash equivalents		
Bank fixed deposits	11,507	77,926
Money market funds	32,935	4,952
	129,136	170,558

Bank fixed deposits are made for periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents are deposited with financial institutions primarily in Singapore, Taiwan, the United States of America, British Virgin Islands, South Korea, China and Malaysia. Deposits in the financial institutions may exceed the amount of insurance provided on such deposits, if any. South Korean, Chinese, Taiwanese and Malaysian foreign currency exchange regulators may place restrictions on the flow of foreign funds into and out of those countries. The Group is required to comply with these regulations when entering into transactions in foreign currencies in South Korea, China, Taiwan and Malaysia.

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6. Bank deposits

	29 December 2013 $'000	30 December 2012 $'000
Short-term and long-term bank deposits	53,646	40,090
Less: bank deposits pledged	(11,604)	(489)
	42,042	39,601

Bank deposits are made for periods more than three months depending on the cash requirements of the Group and earn interest at the respective deposit rates. Certain bank deposits are pledged in relation to performance security of the new factory construction in South Korea.

The movement of bank deposits is as follows:

	Year ended	
	29 December 2013 $'000	30 December 2012 $'000
Beginning of financial year	40,090	43,659
Currency translation differences	(1,409)	1,781
Additions	100,408	82,938
Maturity	(85,443)	(88,288)
End of financial year	53,646	40,090
Less: current amount	42,042	39,601
Non-current amount	11,604	489

7. Accounts Receivable

	29 December 2013 $'000	30 December 2012 $'000
Accounts receivable – third parties, net of allowance for sales returns	238,589	258,507
Less: Allowance for impairment	(148)	(464)
Accounts receivable, net	238,441	258,043

As of 29 December 2013, the Group entered into $36.0 million (2012: nil) non-recourse factoring of accounts receivable for cash under its cash realisation program with bank, and the associated accounts receivable were derecognised.

8. Other Receivables

	29 December 2013 $'000	30 December 2012 $'000
Deposits and staff advances	487	817
Taxes receivable	12,181	17,026
Forward contracts receivables	562	656
Other receivables	2,009	2,227
	15,239	20,726

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9. Inventories

	29 December 2013 $'000	30 December 2012 $'000
Raw materials	54,818	69,016
Work-in-progress	15,052	18,646
Finished goods	1,185	2,541
	71,055	90,203

Inventories recognised in cost of revenues during 2013 amounted to $575.1 million (2012: $641.6 million).

10. Property, Plant and Equipment

	Freehold Land $'000	Leasehold Land and Land Use Rights $'000	Buildings, Construction In Progress, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost					
Balances at 31 December 2012	9,946	19,864	362,227	2,915,156	3,307,193
Additions	–	–	72,685	434,781	507,466
Capitalised interest on construction in progress	–	–	173	–	173
Disposal/write-off	–	–	(597)	(204,304)	(204,901)
Currency translation differences	(208)	–	(899)	(5,830)	(6,937)
Balances at 29 December 2013	9,738	19,864	433,589	3,139,803	3,602,994
Accumulated depreciation and impairment losses					
Balances at 31 December 2012	–	4,770	152,898	1,906,575	2,064,243
Additions	–	345	19,341	276,417	296,103
Disposal/write-off	–	–	(597)	(201,587)	(202,184)
Impairment and restructuring charge	–	4,258	8,010	6,657	18,925
Currency translation differences	–	–	(595)	(4,745)	(5,340)
Balances at 29 December 2013	–	9,373	179,057	1,983,317	2,171,747
Net book value at 29 December 2013	9,738	10,491	254,532	1,156,486	1,431,247

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	Freehold Land $'000	Leasehold Land and Land Use Rights $'000	Buildings, Construction In Progress, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost					
Balances at 26 December 2011	11,239	19,864	315,548	2,675,989	3,022,640
Additions	–	–	54,359	355,590	409,949
Disposal/write-off	–	–	(2,083)	(123,326)	(125,409)
Reclassification to current held for sale assets	(1,570)	–	(6,787)	(646)	(9,003)
Currency translation differences	277	–	1,190	7,549	9,016
Balances at 30 December 2012	9,946	19,864	362,227	2,915,156	3,307,193
Accumulated depreciation and impairment losses					
Balances at 26 December 2011	785	4,359	136,677	1,757,758	1,899,579
Additions	–	411	19,584	260,192	280,187
Disposal/write-off	–	–	(2,082)	(120,229)	(122,311)
Impairment charge	–	–	239	3,355	3,594
Reclassification to current held for sale assets	(785)	–	(2,245)	(646)	(3,676)
Currency translation differences	–	–	725	6,145	6,870
Balances at 30 December 2012	–	4,770	152,898	1,906,575	2,064,243
Net book value at 30 December 2012	9,946	15,094	209,329	1,008,581	1,242,950

The Group routinely reviews the remaining estimated useful lives of its equipment to determine if such lives should be adjusted due to the likelihood of technological obsolescence arising from changes in production techniques or in market demand for the use of its equipment.

Property, plant and equipment of the Group with carrying amounts of $22.2 million (refer to Note 15) are provided as security for bank borrowings.

In 2013, impairment charges of $17.7 million were recorded in connection with the intended closure of the Malaysia plant.

In 2012, impairment charges of $3.8 million were recorded to mainly align with the transition of technology in certain customers from leaded wirebonding to advanced packaging in Malaysia. The freehold land, building and certain equipment in Thailand were reclassified to current held for sale assets (included in other current assets).

Leasehold land and land use rights represent payments to secure, on a fully-paid up basis, the use of properties where the Group's facilities are located in Shanghai, China and Kuala Lumpur, Malaysia for a period of 50 and 99 years, respectively. The land use rights expire in the year 2044 for Shanghai, China and in the year 2086 for Kuala Lumpur, Malaysia. The Singapore facilities are located in a building constructed on land held on a 30-year operating lease which is renewable for a further 30-year period subject to the fulfillment of certain conditions. The facilities in Hsin-Chu Hsien, Taiwan and Incheon City, South Korea are located on freehold land.

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11. Intangible Assets

	Tradenames $'000	Technology and Intellectual Property $'000	Customer Relationships $'000	Patent Costs, Software, Licenses and Others $'000	Total $'000
Cost					
Balances at 31 December 2012	7,700	32,000	99,300	63,430	202,430
Additions	–	–	–	5,163	5,163
Disposal/write-off	–	–	–	(90)	(90)
Currency translation differences	–	–	–	311	311
Balances at 29 December 2013	7,700	32,000	99,300	68,814	207,814
Accumulated amortisation					
Balances at 31 December 2012	7,700	26,933	99,300	32,136	166,069
Additions	–	3,200	–	3,205	6,405
Disposal/write-off	–	–	–	(12)	(12)
Currency translation differences	–	–	–	235	235
Balances at 29 December 2013	7,700	30,133	99,300	35,564	172,697
Net book value at 29 December 2013	–	1,867	–	33,250	35,117

	Tradenames $'000	Technology and Intellectual Property $'000	Customer Relationships $'000	Patent Costs, Software, Licenses and Others $'000	Total $'000
Cost					
Balances at 26 December 2011	7,700	32,000	99,300	58,388	197,388
Additions	–	–	–	5,424	5,424
Disposal/write-off	–	–	–	(413)	(413)
Currency translation differences	–	–	–	31	31
Balances at 30 December 2012	7,700	32,000	99,300	63,430	202,430
Accumulated amortisation					
Balances at 26 December 2011	7,700	23,733	99,300	29,476	160,209
Additions	–	3,200	–	3,020	6,220
Disposal/write-off	–	–	–	(371)	(371)
Currency translation differences	–	–	–	11	11
Balances at 30 December 2012	7,700	26,933	99,300	32,136	166,069
Net book value at 30 December 2012	–	5,067	–	31,294	36,361

Amortisation expense included in the consolidated income statement is analysed as follows:

	29 December 2013 $'000	30 December 2012 $'000
Cost of sales	852	968
Selling, general and administrative expenses	512	583
Research and development expenses	5,041	4,669
	6,405	6,220

12. Goodwill

The carrying amounts of goodwill resulted from the acquisition of STATS ChipPAC Taiwan Semiconductor Corporation in 2001 and ChipPAC, Inc. in 2004.

In 2013, the Group realigned the composition of the cash-generating units to which the goodwill was initially allocated to reflect its packaging and test business as a single business unit delivering turnkey packaging and test solutions to customers.

In 2012, goodwill was allocated to the following cash-generating units:

	30 December 2012 $'000
South Korea	247,747
China	79,305
Malaysia	53,114
Taiwan	1,321
	381,487

In 2012, the Group recognised an impairment charge of $24.1 million related to its cash-generating unit in Malaysia. The impairment charge was a result of the transition of technology in certain customers from leaded wirebonding to advanced packaging.

The recoverable amounts of the CGU were determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial forecasts covering a three-year period and extrapolated beyond the forecast period using estimated terminal growth rates of 3% (2012: 3%) and group discount rate of 10% (2012: cash-generating unit discount rates of 13% to 16%).

As the recoverable amount was significantly higher than the carrying amount of its CGU, the Group believes that any reasonable change to the key assumptions of which the recoverable amount is based on would not cause the carrying amount to exceed the recoverable amount.

13. Accrued Operating Expenses

	29 December 2013 $'000	30 December 2012 $'000
Staff costs and accrued restructuring charges	55,004	45,027
Purchase of raw materials	9,170	8,156
Maintenance fees, license fees and royalties	6,434	6,809
Interest expense	10,249	19,913
Accruals for vacation liability	6,017	5,996
Forward contracts payable	359	—
Other accrued operating expenses	37,407	27,575
	124,640	113,476

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14. Income Taxes

Income tax expense consists of the following:

	Year Ended 29 December 2013 $'000	Year Ended 30 December 2012 $'000
Current tax:		
Singapore	—	—
Foreign	18,387	13,051
Total current tax	18,387	13,051
Deferred tax:		
Singapore	2,173	1,048
Foreign	1,769	(76)
Total deferred tax	3,942	972
	22,329	14,023

A reconciliation of the expected tax expense at the Singapore statutory rate of tax to actual tax expense is as follows:

	Year Ended 29 December 2013 $'000	Year Ended 30 December 2012 $'000
Income tax (benefit) expense computed at Singapore statutory rate of 17.0% (2012: 17.0%)	(2,848)	6,440
Non-deductible expenses, including certain plant closure costs, debt refinancing costs and capital reduction related costs	19,882	9,258
Non-taxable income, including income exemption	(3,089)	(3,227)
Differences in tax rates, including undistributed earnings	10,101	16,017
Effect of change in foreign statutory tax rate on deferred tax assets	—	(5,238)
Taxable foreign exchange adjustment and foreign net operating loss	(1,929)	(6,800)
Utilisation of previously unrecognised tax benefits	(6,839)	(2,727)
Changes in tax estimates for prior years	5,953	(130)
Others	1,098	430
Income tax expense	22,329	14,023

The tax charge relating to each component of other comprehensive income is as follows:

	Year Ended 29 December 2013 $'000	Year Ended 30 December 2012 $'000
Fair value gains and reclassification adjustments on cash flow hedges	75	1,137
Other comprehensive income	75	1,137

In 2013 and 2012, the Group recorded $6.0 million and $0.1 million, respectively, of net tax expense and net tax benefit related to changes in tax estimates for prior years' tax positions. Subsequent event charge of up to $5.0 million may be required to account for additional taxes related to tax contingency in connection with contested tax examination ongoing in South Korea. In 2013 and 2012, we incurred approximately $32.8 million and $45.7 million, respectively, of non-tax deductible expenses related to our capital reduction transaction in 2010.

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The deferred tax assets arose principally as a result of the deferred tax benefit associated with operating loss carryforwards, investment tax credit, and research and development tax credits, reinvestment allowance, capital allowance and deductible temporary differences on property, plant and equipment. The tax effect of significant items comprising the Group's deferred tax assets and liabilities are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Deferred tax assets:		
Operating loss carryforwards	841	1,656
Investment, and research and development tax credits	1,148	1,802
Others	8,821	7,317
	10,810	10,775
Deferred tax liabilities:		
Property, plant and equipment	28,415	27,017
Allowances and reserves	7,766	9,942
Uncertain tax position and others	21,919	20,957
	58,100	57,916
Net deferred tax liabilities	(47,290)	(47,141)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown as follows:

	29 December 2013 $'000	30 December 2012 $'000
Deferred tax assets:		
To be recovered within one year	—	—
To be recovered after one year	186	—
	186	—
Deferred tax liabilities:		
To be settled within one year	4,437	—
To be settled after one year	43,039	47,141
	47,476	47,141

In 2013 and 2012, the Group had approximately $95.8 million and $90.7 million, respectively, of unrecognised tax losses available to offset against future taxable income, certain amounts of which will expire in varying amounts from 2014 to 2029.

In 2013 and 2012, the Group had unrecognised research and development, unutilised capital allowances, investment tax credits and reinvestment allowance, in the aggregate of $414.2 million and $433.1 million, respectively, which can be used to offset income tax payable in future years. Certain credits will expire in varying amounts from 2014 through 2019.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. The ultilisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, historical taxable income, projected future taxable income based on business plans, and tax planning strategies in making this assessment.

In 2012, the Singapore Economic Development Board ("EDB") extended the Company's five year tax incentive for its Singapore operations, whereby certain qualifying income will be subject to a concessionary tax rate of 5% instead of the Singapore statutory rate of 17%, subject to the fulfillment of certain continuing conditions. The extended tax incentive will expire in June 2017.

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The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred tax assets

	Operating Loss Carry Forwards $'000	Investments, Research and Development Tax Credits, and Reinvestment Allowance $'000	Others $'000	Total $'000
Balances at 31 December 2012	1,656	1,802	7,317	10,775
Credits (charges) to:				
Income Statement	(815)	(654)	1,505	36
Hedging Reserve	—	—	—	—
Currency translation differences	—	—	(1)	(1)
Balances at 29 December 2013	841	1,148	8,821	10,810
Balances at 26 December 2011	1,418	5,264	5,956	12,638
Credits (charges) to:				
Income Statement	238	(3,462)	1,756	(1,468)
Hedging Reserve	—	—	(396)	(396)
Currency translation differences	—	—	1	1
Balances at 30 December 2012	1,656	1,802	7,317	10,775

Deferred tax liabilities

	Property, Plant and Equipment $'000	Allowances and Reserves $'000	Uncertain Tax Position and Others $'000	Total $'000
Balances at 31 December 2012	27,017	9,942	20,957	57,916
Charges (credits) to:				
Income Statement	1,398	1,373	1,207	3,978
Hedging Reserve	—	—	75	75
Currency translation differences	—	—	(11)	(11)
Settlement with taxing authorities	—	(3,549)	(309)	(3,858)
Balances at 29 December 2013	28,415	7,766	21,919	58,100
Balances at 26 December 2011	28,750	9,528	23,869	62,147
Charges (credits) to:				
Income Statement	(1,757)	1,847	(586)	(496)
Hedging Reserve	—	—	741	741
Currency translation differences	24	—	—	24
Settlement with taxing authorities	—	(1,433)	(3,067)	(4,500)
Balances at 30 December 2012	27,017	9,942	20,957	57,916

15. Borrowings

The borrowings of the Group carried at amortised cost are as follows:

	29 December 2013 $'000	30 December 2012 $'000
4.5% senior notes due 2018	583,820	—
5.375% senior notes due 2016	199,033	198,715
7.5% senior notes due 2015	—	593,894
U.S. dollars floating rate secured term loan	25,148	—
U.S. dollars floating rate revolving credit facilities	104,227	50,690
Total borrowings	912,228	843,299
Less: borrowings repayable within one year	37,947	50,690
Long-term borrowings	874,281	792,609

In February 2013, the Company commenced a private offer to exchange any and all of the outstanding $600.0 million of 7.5% Senior Notes due 2015 for U.S. dollar-denominated fixed rate senior notes due 2018. On 15 March 2013, upon the expiry of the exchange offer, an aggregate principal amount of $358.4 million of 7.5% Senior Notes due 2015, representing 59.7% of these notes were validly tendered. The notes that were validly tendered in the exchange offer were cancelled immediately upon exchange for the new 4.5% Senior Notes due 2018. On 20 March 2013, the Company issued a further $255.0 million of 4.5% Senior Notes due 2018 to fund the redemption of the remaining outstanding $241.6 million of 7.5% Senior Notes due 2015 for cash proceeds of $247.6 million, after deducting debt issuance cost. On 19 April 2013, the Company redeemed the remaining outstanding $246.1 million of 7.5% Senior Notes due 2015 for $255.7 million pursuant to the redemption price terms of the indenture. The Company financed the redemption with the proceeds from the issuance of the 4.5% Senior Notes due 2018 and short-term borrowings. The notes were cancelled upon redemption. Redemption premium of $15.7 million and debt issuance costs of $2.4 million were expensed in the income statement in 2013.

The aggregate principal amount of 4.5% Senior Notes due 2018 issued pursuant to the exchange offer and private placement of these notes for cash amounted to $611.2 million. These notes are senior unsecured obligations and are listed on the SGX-ST. These notes are guaranteed, on an unsecured senior basis, by all of existing subsidiaries (except STATS ChipPAC Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation) (collectively "Non-Guarantor Subsidiaries") and future restricted subsidiaries (except where prohibited by local law). These notes will mature on 20 March 2018 bearing interest at the rate of 4.5% per annum payable semiannually on 20 March and 20 September of each year, commencing 20 September 2013. Prior to 20 March 2016, the Company may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. The Company may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 20 March 2016, the Company may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 20 March 2016, the Company may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture related to these notes, the Company may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The Group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions. Therefore the Non-Guarantor Subsidiaries and STATS ChipPAC Shanghai Co. Ltd. (the "China Non-Guarantor Subsidiary") are also Restricted Subsidiaries as defined under these notes. The covenant restrictions, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

On 29 August 2012, the Company obtained a $50.0 million of revolving credit facility from DBS Bank Ltd. On 26 September 2013, the revolving credit facility was extended until February 2015 and the facility amount was increased to $75.0 million. The purpose of the facility is for general corporate funding. As of 29

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December 2013, $20.0 million principal was outstanding on this facility. The principal and interest of the $20.0 million loan are payable on maturity in January 2014. The loan bears interest at the rate of 1% per annum.

On 31 July 2012, the Company obtained a $50.0 million revolving credit facility from Oversea-Chinese Banking Corporation Limited. On 27 September 2013, the revolving credit facility was extended until October 2015 and the facility amount was increased to $75.0 million. The purpose of the facility is for general corporate funding. As of 29 December 2013, $47.1 million was outstanding under this facility. The principal and interest of the loan are payable on maturity in January 2014. The loan bears interest at the rate of 1% per annum.

On 26 September 2013, STATS ChipPAC Korea Ltd. entered into a $120.0 million five-year secured term loan with Hana Bank. The purpose of the loan is to finance capital expenditures. The facility is collateralised by equipment located at our Korean subsidiary and upon completion of construction, the Korean subsidiary's new facility in the Incheon Free Economic Zone. As of 29 December 2013, $25.1 million was outstanding under this facility. The principal of the loan is payable on maturity in September 2018. The interest of the loan is payable on a monthly basis. The loan bears interest at the rate of 4% per annum.

On 12 January 2011, the Company issued $200.0 million of 5.375% Senior Notes due 2016 for proceeds of $198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of existing subsidiaries, except the Non-Guarantor Subsidiaries and our future restricted subsidiaries except where prohibited by local law. These notes are senior unsecured obligations and are listed on the SGX-ST. On 18 January 2011, the Company repaid the $234.5 million outstanding principal under the $360.0 million senior credit facility with the net proceeds from the $200.0 million of 5.375% Senior Notes due 2016 and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. Prior to 31 March 2014, the Company may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. The Company may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, the Company may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 31 March 2014, the Company may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the indenture related to these notes, the Company may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The Group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, is subject to the covenant restrictions. Therefore the China Non-Guarantor Subsidiary is also a Restricted Subsidiary as defined under these notes. The covenant restrictions, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with related parties, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

Other unsecured revolving credit facilities comprised $200.0 million, $2.8 million, $25.9 million and $4.1 million of facilities issued to the Company and its subsidiaries in Korea, Taiwan and China, respectively. The purpose of these facilities is for general corporate funding. As of 29 December 2013, $38.0 million of loans were outstanding and the principal and interest of the loans are payable on maturity in January 2014. The loans bear interest at the rate of 1% per annum.

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	29 December 2013 $'000	30 December 2012 $'000
6 months or less	129,375	50,690
6 - 12 months	—	—
1 - 5 years	782,853	792,609
	912,228	843,299

The fair value of the borrowings of the Group at the balance sheet dates are as follows:

	29 December 2013 $'000	30 December 2012 $'000
4.5% senior notes due 2018	608,096	—
5.375% senior notes due 2016	205,536	209,600
7.5% senior notes due 2015	—	636,000
U.S. dollars floating rate secured term loan	25,148	—
U.S. dollars floating rate revolving credit facilities	104,227	50,690
	943,007	896,290

The fair values of the senior notes are determined from the trading market prices of the senior notes as of each balance sheet date. The borrowings under the U.S. dollars term loan and revolving credit facilities at floating rates are assumed to approximate their fair values.

The Group has lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, which amounted to an aggregate of $548.2 million, of which $372.4 million of credit facilities and $38.6 million of other banking facilities were available on 29 December 2013.

16. Derivative Financial Instruments

	29 December 2013			30 December 2012		
	Contract Notional Amount $'000	Asset $'000	Liability $'000	Contract Notional Amount $'000	Asset $'000	Liability $'000
Cash-flow hedges						
- Currency forwards	97,381	562	(359)	83,831	656	—
Total		562	(359)		656	—

The Group enters into forward contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

17. Other Non-Current Liabilities

	29 December 2013 $'000	30 December 2012 $'000
Accrued retirement and severance benefits	4,530	1,532
Other non-current liabilities	19,698	20,000
	24,228	21,532

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Changes in accrued retirement and severance benefits in 2013 and 2012 are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Beginning of financial year	6,403	4,854
Provision for retirement and severance benefits	18,480	2,252
Severance payments	(1,839)	(1,084)
Foreign currency loss	20	381
Current portion of accrued retirement and severance benefit, included within other accrued operating expenses (Note 13)	(14,340)	—
End of financial year	8,724	6,403
Payments on deposits with Korean National Pension Fund	(135)	(136)
Plan assets	(4,059)	(4,735)
Ending, net of payments on deposits	4,530	1,532

18. Expenses by Nature

Expenses such as inventories recognised in cost of revenues, depreciation and amortisation, employee compensation and rental expense on operating leases are disclosed elsewhere in the financial statements.

19. Exceptional Items

(a) Plant closure costs

The Malaysia plant closure costs were as follows:

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Employee severance and benefits	18,203	—
Property, plant and equipment impairment charges (Note 10)	17,730	—
Other associated costs	976	—
	36,909	—

(b) Flood related plan charges and insurance settlement

The charges incurred were as follows:

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Held for sale asset impairment	3,000	—
Other related charges	—	10,061
	3,000	10,061

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The insurance settlement received was as follows:

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Flood related insurance settlement	19,582	26,741

In 2013, the Group reached further insurance settlement of $19.6 million with its insurers as final compensation for business interruption insurance claims related to the flood in Thailand. This insurance recovery was in addition to the $26.7 million obtained in 2012 as compensation for plant and equipment damages. The total insurance settlement was $46.3 million.

20. Employee Compensation

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Wages and salaries	313,036	320,197
Employer's contribution to defined contribution plans including Central Provident Fund	26,351	24,209
Other benefits	30,844	31,849
	370,231	376,255

21. Other Non-operating Income (Expenses), net

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Lease termination cost	(2,000)	—
Other income (expenses), net	31	477
	(1,969)	477

22. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of STATS ChipPAC Ltd by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of STATS ChipPAC Ltd. by the weighted average number of ordinary shares outstanding as adjusted for the effects of all dilutive potential ordinary shares from the assumed exercise of share options outstanding during the financial year plus other potentially dilutive securities outstanding.

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	Year Ended	
	29 December 2013	30 December 2012
Net income (loss) attributable to equity holders of STATS ChipPAC Ltd. ($'000)	(47,493)	16,563
Weighted average number of ordinary shares outstanding (basic) ('000)	2,202,218	2,202,218
Weighted average dilutive shares from share plans ('000)	—	2
Weighted average number of ordinary shares and equivalent ordinary shares outstanding (diluted) ('000)	2,202,218	2,202,220
Net income (loss) per ordinary share attributable to equity holders of STATS ChipPAC Ltd.		
- Basic	$ (0.02)	$ 0.01
- Diluted	$ (0.02)	$ 0.01

The Group excluded certain potentially dilutive securities for each period presented from its diluted net income per ordinary share computation because the exercise price of the securities exceeded the average fair value of the Group's ordinary shares and therefore these securities were anti-dilutive.

The excluded potentially dilutive securities outstanding are as follows:

	29 December 2013 ('000)	30 December 2012 ('000)
Share plans	8,560	3,789

23. Share Capital, Share Options and Incentive Plans

On 29 October 2010, the Company effected a capital reduction pursuant to the shareholders' approval in an extraordinary general meeting held on 27 September 2010. A cash distribution of $600.0 million at $0.27 for each ordinary share issued was made to the shareholders of the Company and the share capital of the Company was accordingly reduced by the same amount.

The Company's statutory issued share capital represented by 2,202,218,293 (2012: 2,202,218,293) ordinary shares pursuant to the Singapore Companies Act (Cap 50) is S$2,343.9 million as of 29 December 2013. The amount was reduced by S$784.8 million ($600.0 million) in 2010 as a result of the capital reduction.

At the Company's annual shareholders' meeting in April 2013, the Company obtained shareholders approval for the adoption of the STATS ChipPAC Ltd. Performance Share Plan 2013 ("PSP 2013").

Awards granted under the PSP 2013 (each, an "Award") represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets and other conditions are met in accordance with the terms of the PSP 2013. Participants are not required to pay for the grant of Awards. Upon the Company achieving certain performance targets set by the Executive Resource and Compensation Committee, the Awards will vest and ordinary shares of the Company will then be delivered to the eligible employees with no exercise or purchase price and in accordance with the terms of the PSP 2013. Awards granted under the PSP 2013 are generally not transferrable.

Vesting of Awards and determination of the number of shares deliverable at the end of the performance period will depend on the extent of achievement of the strategic corporate performance condition(s) pre-set at the beginning of the performance period. Depending on the level of performance achieved, the number of shares to vest can vary from between 0% to 150% of the grant.

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The total number of shares which may be delivered pursuant to Awards granted under the PSP 2013 on any date, when added to:

(a) the total number of new shares allotted and issued and/or to be allotted and issued, issued shares (including treasury shares) delivered and/or to be delivered, and shares delivered and/or to be delivered in the form of cash in lieu of shares, pursuant to Awards granted under the PSP 2013; and

(b) the total number of shares which may be delivered pursuant to options and/or awards granted under any other share scheme adopted by the Company after the adoption date of the PSP 2013 and for the time being in force;

shall not exceed 10% of the total number of issued shares (excluding shares held by the Company as treasury shares) on the date preceding the date of the relevant Award.

Since the commencement of the PSP 2013 to the financial year ended 29 December 2013, 7,151,199 Awards have been granted under the PSP 2013, representing the number of ordinary shares to be delivered if the performance targets set by the ERCC are achieved. No ordinary shares have been delivered under the PSP 2013. In 2013 and 2012, no share-based compensation expense was recognised.

The following table summarises the fully vested share option activity in 2012 and 2013:

	Options ($'000)	Weighted Average Exercise Price
Options outstanding at 25 December 2011	7,285	1.26
Lapsed and forfeited	(3,496)	1.96
Options outstanding at 30 December 2012	3,789	1.13
Lapsed and forfeited	(2,380)	1.54
Options outstanding at 29 December 2013	1,409	1.47
Exercisable at 30 December 2012	3,789	1.13
Exercisable at 29 December 2013	1,409	1.13

The following table summarises information about share options outstanding at 29 December 2013 and 30 December 2012:

	Options Outstanding and Exercisable					
Range of Exercise Prices	Number Exercisable ('000)		Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	
	29 December 2013	30 December 2012	29 December 2013	30 December 2012	29 December 2013	30 December 2012
$0.29 to $0.29	—	10	—	0.2 years	—	$0.29
$0.55 to $0.79	91	216	1.0 years	1.1 years	$0.65	$0.66
$1.16 to $1.64	1,318	3,563	0.1 years	0.8 years	$1.16	$1.17
	1,409	3,789	0.2 years	0.8 years		

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24. Other Reserves

(a) Composition

	29 December 2013 $'000	30 December 2012 $'000
Hedging reserve	132	521
Foreign currency translation reserve	(7,844)	(2,349)
	(7,712)	(1,828)

(b) Movement

(i) Hedging reserve

	Year ended 29 December 2013 $'000	Year ended 30 December 2012 $'000
Beginning of financial year	521	(13,329)
Fair value gains	1,232	8,042
Reclassification of fair value (gains) losses to Income Statement	(1,687)	6,560
Tax on fair value changes	66	(752)
End of financial year	132	521

(ii) Foreign currency translation reserve

	Year ended 29 December 2013 $'000	Year ended 30 December 2012 $'000
Beginning of financial year	(2,349)	(4,652)
Currency translation differences arising from equity transaction	(3,796)	—
Net currency translation differences of financial statements of a foreign subsidiary	17	239
Less: Non-controlling interests	(1,716)	2,064
End of financial year	(7,844)	(2,349)

Other reserves are non-distributable.

25. Commitments and Contingencies

(a) Commitments

As of 29 December 2013 and 30 December 2012, unconditional purchase obligations consist of the following:

	29 December 2013 $'000	30 December 2012 $'000
Capital commitments		
Building, mechanical and electrical installation	175,062	12,287
Equipment	63,396	196,646
Other commitments		
Inventories	85,210	74,074

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These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on the Group and specify all significant terms, including fixed or minimum quantities to be purchased, fixed or variable price provisions and the approximate timing of transactions. The duration of these purchase obligations are generally less than 12 months, with exception of $4.2 million related to the construction of a new facility in South Korea that is expected to be incurred in the next 1-3 years.

The Group is party to certain royalty and licensing agreements which have anticipated cumulative payments of approximately $33.4 million for 2014 through 2018.

The Group leases certain of its facilities in Singapore, South Korea and the United States under operating lease arrangements and has lease agreements for the land located in Singapore, Malaysia and China related to its facilities in these locations. Operating lease rental expense in 2013 and 2012 was $9.3 million and $9.1 million, respectively.

The Group has leased certain plant and equipment under operating leases. These leases extend through 2014. Operating lease rental expenses, including amortisation of lease prepayments, in respect of these leases in 2013 and 2012 were $22.1 million and $16.7 million, respectively.

These leases have varying escalation clauses and renewal rights.

Future minimum lease payments under non-cancelable operating leases contracted for at the balance sheet date but not recognised as liabilities were:

	29 December 2013 $'000	30 December 2012 $'000
Not later than one year	34,896	18,721
Between one and five years	39,872	17,954
Later than five years	93,337	4,783
	168,105	41,458

(b) Contingencies

The Company is subject to claims and litigations that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others as well as other claims of liability. The Company accrues liability associated with these claims and litigations when they are probable and reasonably estimable.

In February 2006, the Company, STATS ChipPAC Inc. ("ChipPAC"), and STATS ChipPAC (BVI) Limited were named as defendants in a patent infringement lawsuit filed in the United States Federal Court for the Northern District of California. The plaintiff, Tessera Inc. ("Tessera") has asserted that semiconductor chip packaging, specifically devices having Ball Grid Array ("BGA") and multi-chip BGA configurations used by the defendants, infringe certain patents of Tessera. As of September 2010, all of the asserted patents have expired.

On 29 January 2013, the Company, ChipPAC and STATS ChipPAC (BVI) Limited signed a definitive Patent License and Settlement Agreement with Tessera (the "Agreement"). This Agreement results in the dismissal of all claims and counterclaims between Tessera and the Company, ChipPAC and STATS ChipPAC (BVI) Limited and ends the patent litigation between the companies. Under the Agreement, the Company has agreed to make scheduled payments to Tessera, the discounted value of which the Company has fully provisioned for and recorded under the selling, general and administrative expenses in 2012. The Agreement also provides the Company and its subsidiaries, including ChipPAC and STATS ChipPAC (BVI) Limited, with a 5-year license to Tessera's complete patent portfolio for semiconductor packaging technology.

The Group also, from time to time, receives from customers request for indemnification against pending or threatened infringement claims brought against such customers, such as the Tessera cases described

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above. The resolution of any future allegation or request for indemnification could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group is subject to various taxes in the different jurisdictions in which it operates. These include taxes on income, property, goods and services, and other taxes. The Group submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. The Group regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes. Refer to Note 14 for additional information on tax contingencies.

26. Restructuring Charges

In 2013, the Group recorded severance and related charges of $1.9 million related to the Group's announced restructuring actions to reduce operating costs in operations and support functions to align costs with business conditions. In 2012, severance and related charges of $5.7 million were incurred.

27. Financial Risk Management

The Group operates in various countries and therefore is subject to several risks and uncertainties including financial risks. The Group's risk management functions to mitigate the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management covers areas such as capital management, liquidity risk, foreign currency risk, commodity price risk, interest rate risk and credit risk. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance. The Group uses derivatives to hedge specific exposures.

Capital Management

The Group regularly reviews its financial position, capital structure and use of capital, with the objective of achieving long-term capital efficiency, optimum shareholders' total returns and proper strategic positioning. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of return of capital and distributable earnings to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Group manages the use of capital centrally and all borrowings to fund the operations of the subsidiaries are managed by the Company. The capital employed by the Group consists of equity attributable to shareholders, bank borrowings from financial institutions and borrowings from senior notes issuance.

The Group is in compliance with all externally imposed capital requirements in 2013 and 2012, which primarily arises from its borrowing facilities. There were no changes in the Group's approach to capital management during the year.

Foreign Currency Risk

A portion of the Group's costs is denominated in various foreign currencies, like the Singapore dollar, the South Korean Won, the Chinese Renminbi, the Malaysian Ringgit, the New Taiwan dollar and the Japanese Yen. As a result, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect cost of goods sold and operating margins and could result in exchange losses. Based on the Group's overall currency rate exposure, the Group has adopted a foreign currency hedging policy for committed or forecasted currency exposures. The Group may utilise foreign currency swaps as well as foreign exchange forward contracts and options. The goal of the hedging policy is to effectively manage risk associated with fluctuations in the value of the foreign currency, thereby making financial results more stable and predictable in the short-term. Over the longer-term, however, permanent changes in exchange rate of foreign currencies would have an impact on earnings.

The Group has entered into foreign currency contracts with nominal contract value of $97.4 million and $83.8 million in 2013 and 2012, respectively, to mitigate currency risks associated with payroll costs, materials costs and other costs denominated in these foreign currencies to reduce its exposure from future exchange rate fluctuations. These programs reduce, but do not always entirely eliminate, the impact of currency exchange movements. The duration of these instruments are generally less than twelve months.

The Group is also exposed to the adverse movement in the exchange rates for all the currencies relative to the U.S. dollar on the Group's foreign currencies denominated assets and liabilities. Sensitivity analyses of change in the fair values arising from a hypothetical 10% adverse movement in the exchange rates for all the foreign currencies relative to the U.S. dollar, with all other variables held constant, after taking into account offsetting positions, would result in a foreign exchange loss of $1.3 million each as of 29 December 2013 and 30 December 2012, respectively.

Commodity Price Risk

The Group purchases certain raw materials in the normal course of business, which are affected by commodity prices. Therefore, the Group is exposed to some price volatility related to various market conditions outside its control. However, the Group employs various purchasing and pricing contract techniques in an effort to minimise volatility. Generally these techniques include setting in advance the price for products to be delivered in the future. The Group does not generally make use of financial instruments to hedge commodity prices, partly because of the contract pricing utilised. While commodity price volatility can occur, which would impact profit margins, there are generally alternative suppliers available. The Group may undertake hedging activity in commodities to a limited degree. Hedging may be used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering into forward contracts or similar instruments.

Interest Rate Risk

The Group's exposure to market risk associated with changes in interest rates primarily relates to its investment portfolio and debt obligations. Investments are placed in time deposits and marketable securities. The Group has no material cash flow exposure due to rate changes for cash equivalents and short-term investments. Longer-term borrowings are therefore usually at fixed rates. As at 29 December 2013, 85.8% (2012: 94.0%) of the total debt was at fixed interest rates and the balance was at variable interest rates. The Group's borrowings in senior notes are subject to fixed interest rates. As of 29 December 2013, the Group's senior notes due 2016 and 2018 bear interest of 5.375% and 4.5% per annum, respectively.

Credit Risk

The Group's customers are comprised of companies in the semiconductor industry located primarily in the United States of America, Asia and Europe. The semiconductor industry is highly cyclical and experiences significant fluctuations in customer demand, evolving industry standards, competitive pricing pressure that leads to steady declines in average selling prices, rapid technological changes, risk associated with foreign currencies and enforcement of intellectual property rights. Additionally, the market in which the Group operates is very competitive. As a result of these industry and market characteristics, key elements of competition in the independent semiconductor packaging market include breadth of packaging offerings, time-to-market, technical competence, design services quality, production yields, reliability of customer service and price. The Group's largest customer accounted for approximately 30% and 27% of revenues in 2013 and 2012, respectively. The Group's ten largest customers collectively accounted for approximately 68.0% and 67.3% of revenues in 2013 and 2012, respectively. The Group generally does not require collateral on its trade receivables. The Group mitigates the concentration of credit risk in trade receivables through the Group's credit evaluation process, credit policies, credit control and collection procedures but these methods cannot eliminate all potential credit risk losses. The withdrawal of commitment from any major customer for products, or reduced or delayed demand or the loss of or default by any of these major customers could have an adverse effect upon the Group's financial position, results of operations and cash flows.

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The age analysis of trade receivables that are past due but not impaired is as follows:

	29 December 2013 $'000	30 December 2012 $'000
Past due less than 30 days	14,200	21,819
30-60 days	11,140	1,223
61-90 days	4,309	208
More than 90 days	1,662	638
	31,311	23,888

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Gross amount	148	464
Less: Allowance for impairment	(148)	(464)
	—	—
Beginning of financial year	464	523
Additions	482	1,187
Utilised	—	—
Write-back	(798)	(1,246)
End of financial year	148	464

Cash and cash equivalents are deposited with financial institutions primarily in Singapore, Taiwan, the United States of America, British Virgin Islands, South Korea, China and Malaysia. Deposits in the financial institutions may exceed the amount of insurance provided on such deposits, if any. The Group mitigates default risk by investing in marketable securities that are of at least an “A” rating, as assigned by an internationally recognised credit rating organisation, and major Singapore banks and government-linked companies. The Group utilises forward contracts to protect against the effects of foreign currency fluctuations. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss. The Group has not experienced any such losses to date from nonperformance by its counterparties. South Korean, Chinese and Malaysian foreign currency exchange regulators may place restrictions on the flow of foreign funds into and out of those countries. The Group is required to comply with these regulations when entering into transactions in foreign currencies in South Korea, China and Malaysia.

Liquidity Risk

The Group’s principal source of liquidity consists of cash flows from operating activities, bank facilities, debt financing, and existing cash and cash equivalents and marketable securities. As of 29 December 2013, the Group had cash, cash equivalents and bank deposits of $182.8 million (2012: $210.6 million). The Group also has available lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, including those available to its consolidated subsidiaries, which amounted to an aggregate of $548.2 million (2012: $281.1 million), of which $372.4 million (2012: $175.4 million) of credit facilities and $38.6 million (2012: $42.0 million) of other banking facilities were available as of 29 December 2013. Liquidity needs arise primarily from servicing outstanding debts, working capital needs and the funding of capital expenditures and investments. Capital expenditures are largely driven by the demand for the Group’s services, primarily to increase packaging and testing capacity, to replace packaging and testing equipment from time to time, and to expand the facilities and service offerings.

The maturity profile of the Group’s financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group:

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	As at 29 December 2013				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	138,004	—	—	—	138,004
Payables related to property, plant and equipment	141,998	—	—	—	141,998
Accrued operating expenses	124,640	—	—	—	124,640
Borrowings	38,000	67,100	836,300	—	941,400
Amounts due to related parties	100	—	—	—	100
Total	442,742	67,100	836,300	—	1,346,142

	As at 30 December 2012				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	164,301	—	—	—	164,301
Payables related to property, plant and equipment	42,746	—	—	—	42,746
Accrued operating expenses	113,476	—	—	—	113,476
Borrowings	51,000	—	800,000	—	851,000
Amounts due to related parties	28	—	—	—	28
Total	371,551	—	800,000	—	1,171,551

The interest payments on the Group's borrowings due within one year, 1-2 years and 2-5 years amount to $39.2 million (2012: $55.8 million), $39.2 million (2012: $55.8 million) and $76.6 million (2012: $61.0 million), respectively.

Estimation of Fair Value

The accounting classification of each category of financial instruments, and their carrying amounts, are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Financial assets		
Cash and cash equivalents	129,136	170,558
Bank deposits	53,646	40,090
Loan and receivables		
- Accounts receivable, net	238,441	258,043
- Other receivables	15,239	20,726
Total	436,462	489,417
Financial liabilities		
Financial liabilities at nominal value and amortised cost		
- Accounts and other payables	(138,004)	(164,301)
- Payables related to property, plant and equipment purchases	(141,998)	(42,746)
- Accrued operating expenses	(124,640)	(113,476)
- Borrowings	(912,228)	(843,299)
- Amounts due to related parties	(100)	(28)
- Accrued retirement and severance benefits	(4,530)	(1,532)
- Other non-current liabilities	(19,698)	(20,000)
Total	(1,341,198)	(1,185,382)

Fair value for measurements are estimates of the amounts for which assets or liabilities (including financial instruments and other derivative contracts) could be exchanged at the measurement date, based on the assumption that such exchanges take place between knowledgeable, unrelated parties in unforced transactions. Where available, fair value measurements are derived from prices quoted in active markets for identical assets or liabilities. In the absence of such information, other observable inputs are used to estimate fair value. Where publicly available information is not available, fair value is determined using estimation techniques that take into account market perspectives relevant to the asset or liability, in as far as they can reasonably be ascertained, based on predominantly unobservable inputs.

The Group uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

The following tables set forth the Group's financial assets and liabilities, excluding interest components that were accounted for at fair value on a recurring basis as of 29 December 2013 and 30 December 2012, respectively:

	Fair Value Measurement as of 29 December 2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Foreign currency forward contracts	—	562	—	562
Total assets measured and recorded at fair value	—	562	—	562
Liabilities:				
Foreign currency forward contracts	—	(359)	—	(359)
Total liabilities measured and recorded at fair value	—	(359)	—	(359)

	Fair Value Measurement as of 30 December 2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Foreign currency forward contracts	—	656	—	656
Total assets measured and recorded at fair value	—	656	—	656
Liabilities:				
Foreign currency forward contracts	—	—	—	—
Total liabilities measured and recorded at fair value	—	—	—	—

28. Immediate and Ultimate Holding Corporations and Subsidiaries

The Group's immediate holding corporation is Singapore Technologies Semiconductors Pte Ltd ("STSPL"), incorporated in Singapore. The ultimate holding corporation is Temasek Holdings (Private) Limited ("Temasek"), incorporated in Singapore. Temasek, through its wholly-owned subsidiary, STSPL, beneficially owned approximately 83.8% of the Company as of 29 December 2013. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Singapore Government through the Minister for Finance.

The significant subsidiaries of the Company are as follows:

Name of Subsidiary	Principal Activities	Country of Incorporation	Effective Percentage Holdings 2013	Effective Percentage Holdings 2012
STATS ChipPAC (Barbados) Ltd.#	Investment holding	Barbados	100%	100%
STATS ChipPAC (BVI) Limited*	Investment holding, turnkey packaging and test services, warehousing services, research and development	British Virgin Islands	100%	100%
STATS ChipPAC Korea Ltd.#	Turnkey packaging and test services, research and development, warehousing services and drop shipment services	South Korea	100%	100%
STATS ChipPAC Malaysia Sdn. Bhd.#	Turnkey packaging and test services, warehousing services and drop shipment services	Malaysia	100%	100%
STATS ChipPAC Shanghai Co., Ltd#	Turnkey packaging and test services, flip-chip, research and development, warehousing services, and drop shipment services	China	100%	100%
STATS ChipPAC Taiwan Co., Ltd.#	Solder bump services for flip chip, and wafer level chip scale package assembly	Taiwan	100%	100%
STATS ChipPAC Taiwan Semiconductor Corporation+	Test services, research and development, warehousing services, and drop shipment services	Taiwan	52%	52%
STATS ChipPAC, Inc.*	Sales, marketing, administration and research and development	Delaware, USA	100%	100%

\# Audited by member firms of PricewaterhouseCoopers, in the respective countries
\+ Audited by KPMG, Taiwan
* Not required to be audited under the laws of its country of incorporation

29. Related Party Transactions

As of 29 December 2013, Temasek, through its wholly-owned subsidiary, STSPL, beneficially owned 1,845,715,689 ordinary shares, representing 83.8% of the Company's ordinary shares.

The Group's operations in Singapore are conducted in a building constructed on land held on a long-term operating lease from a statutory board of the Government of Singapore. The lease is for a 30-year period commencing 1 March 1996 and is renewable for a further 30 years subject to the fulfillment of certain conditions.

The Group has $0.1 million each of cash and cash equivalents placed with Temasek affiliated financial institutions as of 29 December 2013 and 30 December 2012, respectively.

The Group also engages in transacting with other companies, directly or indirectly controlled by Temasek, in the ordinary course of business. These transactions, which include transactions for gas, water and electricity, facilities management, transportation and telecommunication services, are at their prevailing market rates or prices and on customary terms and conditions. These expenses amounted to $5.1 million and $4.8 million in 2013 and 2012, respectively.

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The amounts owing by (to) related parties were as follows:

	29 December 2013 $'000	30 December 2012 $'000
Short-term amounts due to related parties		
Accounts payable	(100)	(28)

Directors and Key Executives Compensation

	29 December 2013 $'000	30 December 2012 $'000
Non-Executive Directors' fee	639	580
Key Executives' remuneration[1]	3,605	5,425
	4,244	6,005

Notes:
(1) Key executives remuneration in 2013 mainly relates to base salary and other fixed short-term benefits.

30. Business Segment, Geographic and Major Customer Data

Commencing in 2013, the Group realigned its segment reporting for packaging and test business as a single business unit delivering turnkey packaging and test solutions to customers. The Group considered developments and changes in its business to align the identification of its operating segments.

Net revenues by geographical areas (identified by location of customer headquarters) were:

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
United States	1,106,105	1,159,636
Asia	303,951	313,870
Europe	188,466	228,043
Total	1,598,522	1,701,549

Long-lived assets by geographical area were:

	Year Ended	
	29 December 2013 $'000	30 December 2012 $'000
Singapore	558,892	422,607
South Korea	336,547	305,071
China	304,653	311,871
Taiwan	192,907	133,722
United States	270	1,785
Rest of Asia	37,978	67,894
Total	1,431,247	1,242,950

The Group's largest customer accounted for approximately 30% and 27% of revenues in 2013 and 2012, respectively. The Group's ten largest customers collectively accounted for approximately 68.0% and 67.3% of revenues in 2013 and 2012, respectively.

31. Guarantor Subsidiaries and Non Guarantor Subsidiaries

In January 2011 and March 2013, the Company issued $200.0 million of 5.375% Senior Notes due 2016 and $611.2 million of 4.5% Senior Notes due 2018, respectively, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of the Non-Guarantor Subsidiaries. Of the Non-Guarantor Subsidiaries, the China Non-Guarantor Subsidiary is a Restricted Subsidiary as defined under these notes. STATS ChipPAC Taiwan Semiconductor Corporation, which is not a wholly-owned subsidiary, is not a Restricted Subsidiary. These notes are the Company's senior unsecured obligations and are listed on the SGX-ST.

For the financial year ended 29 December 2013, the Non-Guarantor Subsidiaries, after eliminations of transactions and balances within these entities (but before taking into account any transactions and balances between the Non-Guarantor Subsidiaries, the guarantor subsidiaries and STATS ChipPAC Ltd.), generated $377.7 million of net revenues (representing 23.6% of the Group's consolidated net revenues) and $16.9 million of operating income (representing 48.7% of the Group's consolidated operating income). The operating income for the financial year ended 29 December 2013 included exceptional income (expenses) of $(20.3) million related to the Thailand flood and closure of its Malaysia subsidiary that are reflected in the guarantor subsidiaries. Excluding the exceptional items, the Non-Guarantor Subsidiaries' operating income represented 30.7% of the Group's consolidated operating income. As of 29 December 2013, the Non-Guarantor Subsidiaries held $606.3 million of assets (representing 25.4% of the Group's consolidated total assets).

For the financial year ended 29 December 2013, STATS ChipPAC Korea Ltd. generated $596.7 million of net revenues (representing 37.3% of the Group's consolidated net revenues) and $29.0 million of operating income (representing 83.6% of the Group's consolidated operating income). Excluding the exceptional items, STATS ChipPAC Korea Ltd.'s operating income represented 52.7% of the Group's consolidated operating income. As of 29 December 2013, STATS ChipPAC Korea Ltd. held $726.2 million of assets (representing 30.5% of the Group's consolidated total assets).

For the financial year ended 29 December 2013, the China Non-Guarantor Subsidiary generated $328.6 million of net revenues (representing 20.6% of the Group's consolidated net revenues) and $3.8 million of operating loss (representing 10.9% of the Group's consolidated operating income). Excluding the exceptional items, the China Non-Guarantor Subsidiary's operating loss represented (6.9)% of the Group's consolidated operating income. As of 29 December 2013, the China Non-Guarantor Subsidiary held $485.8 million of assets (representing 20.4% of the Group's consolidated total assets).

As of 29 December 2013, STATS ChipPAC Korea Ltd. had indebtedness outstanding of $25.1 million and approximately $113.1 million of trade payables and other liabilities outstanding.

As of 29 December 2013, the China Non-Guarantor Subsidiary had no indebtedness and $153.4 million of trade payables and other liabilities outstanding and STATS ChipPAC Taiwan Semiconductor Corporation had no indebtedness and $8.8 million of trade payables and other liabilities outstanding.

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	29 December 2013 $'000	30 December 2012 $'000
ASSETS			
Current assets:			
Cash and cash equivalents	3	61,552	84,204
Accounts receivable, net	4	108,348	89,092
Other receivables	5	499	806
Inventories	6	17,642	15,585
Prepaid expenses and other current assets		5,971	10,788
Short-term amounts due from subsidiaries		438,025	459,407
Total current assets		632,037	659,882
Non-current assets			
Property, plant and equipment, net	7	558,892	422,607
Investment in subsidiaries	8	667,526	732,311
Intangible assets	9	27,256	24,816
Prepaid expenses and other non-current assets		13	10
Total non-current assets		1,253,687	1,179,744
Total assets		1,885,724	1,839,626
LIABILITIES			
Current liabilities:			
Accounts and other payable		26,649	14,424
Payables related to property, plant and equipment purchases		94,434	18,675
Accrued operating expenses	10	42,892	55,381
Short-term borrowings	12	37,947	50,690
Short-term amounts due to related parties		100	28
Short-term amounts due to subsidiaries		130,684	176,970
Total current liabilities		332,706	316,168
Non-current liabilities:			
Long-term borrowings	12	849,133	792,609
Deferred tax liabilities	11	5,576	6,952
Total non-current liabilities		854,709	799,561
Total liabilities		1,187,415	1,115,729
EQUITY			
Share capital	14	872,766	872,766
Retained earnings		(164,425)	(139,192)
Other reserves	15	(10,032)	(9,677)
Total equity		698,309	723,897
Total liabilities and equity		1,885,724	1,839,626

The accompanying notes form an integral part of the unconsolidated statement of financial position.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

These notes form an integral part of the unconsolidated statement of financial position.

1. Background and Summary of Significant Accounting Policies

(a) Business and Organisation

STATS ChipPAC Ltd. ("STATS ChipPAC" or the "Company") is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is incorporated and domiciled in Singapore. The registered office of the Company is at 10 Ang Mo Kio Street 65 Techpoint #05-17/20 Singapore 569059.

The Company is required to prepare the unconsolidated statement of financial position of the Company in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") for filing with the Accounting and Corporate Regulatory Authority ("ACRA").

The unconsolidated statement of financial position is presented based on the Singapore Financial Reporting Standards ("FRS").

The unconsolidated statement of financial position should be read in conjunction with the Consolidated Financial Statements of STATS ChipPAC.

The financial statements are expressed in U.S. dollars, which is the Company's functional and presentation currency.

(b) Subsidiaries and Equity Investee

The Company has significant subsidiaries in South Korea, China, Malaysia, Taiwan, the British Virgin Islands, Barbados, and in the United States, its principal market. Investments in subsidiaries and equity investee are accounted for at cost less accumulated impairment loss. The Company assesses annually whether there is an indication that the investment in subsidiaries and equity investee may be impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

(c) Fiscal Year

STATS ChipPAC's 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. STATS ChipPAC's fiscal quarters end on a Sunday. Fiscal year 2013, a 52-week year, ended on 29 December 2013 and fiscal year 2012, a 53-week year, ended on 30 December 2012. Unless otherwise stated, all years and dates refer to STATS ChipPAC's fiscal years.

2. Related Parties

As of 29 December 2013, Temasek Holdings (Private) Limited ("Temasek"), through its wholly-owned subsidiary, Singapore Technologies Semiconductors Pte Ltd ("STSPL"), beneficially owned 1,845,715,689 ordinary shares, representing 83.8% of the Company's ordinary shares. Refer to Note 29 of the consolidated financial statements for details of related party transactions.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

3. Cash and Cash Equivalents

	29 December 2013 $'000	30 December 2012 $'000
Cash at banks and on hand	45,970	40,532
Cash equivalents		
Money market funds	15,582	4,737
Bank fixed deposits	–	38,935
	61,552	84,204

4. Accounts Receivable

	29 December 2013 $'000	30 December 2012 $'000
Accounts receivable – third parties, net of allowance for sales returns	108,495	89,556
Less: Allowance for impairment	(147)	(464)
Accounts receivable, net	108,348	89,092

As of 29 December 2013, the Company entered into $4.3 million (2012: nil) non-recourse factoring of accounts receivable with a bank for cash, and the associated accounts receivable were derecognised.

5. Other Receivables

	29 December 2013 $'000	30 December 2012 $'000
Deposits and staff advances	–	3
Other receivables	499	803
	499	806

6. Inventories

	29 December 2013 $'000	30 December 2012 $'000
Raw materials	10,050	8,163
Work-in-progress	6,902	5,833
Finished goods	690	1,589
	17,642	15,585

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

7. Property, Plant and Equipment

	Buildings, Construction In Progress, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost			
Balances at 31 December 2012	129,744	1,095,412	1,225,156
Additions	31,560	190,775	222,335
Transfers from subsidiaries	–	47,599	47,599
Disposal/write-off	(8)	(97,180)	(97,188)
Balances at 29 December 2013	161,296	1,236,606	1,397,902
Accumulated depreciation			
Balances at 31 December 2012	59,815	742,734	802,549
Additions	6,905	96,619	103,524
Transfers from subsidiaries	–	29,299	29,299
Disposal/write-off	(8)	(96,354)	(96,362)
Balances at 29 December 2013	66,712	772,298	839,010
Net book value at 29 December 2013	94,584	464,308	558,892

	Buildings, Construction In Progress, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost			
Balances at 26 December 2011	87,413	947,369	1,034,782
Additions	41,538	127,698	169,236
Transfers from subsidiaries	898	70,407	71,305
Disposal/write-off	(105)	(50,062)	(50,167)
Balances at 30 December 2012	129,744	1,095,412	1,225,156
Accumulated depreciation			
Balances at 26 December 2011	55,042	674,389	729,431
Additions	4,513	80,469	84,982
Transfers from subsidiaries	365	37,264	37,629
Disposal/write-off	(105)	(49,388)	(49,493)
Balances at 30 December 2012	59,815	742,734	802,549
Net book value at 30 December 2012	69,929	352,678	422,607

The Company routinely reviews the remaining estimated useful lives of its equipment to determine if such lives should be adjusted due to the likelihood of technological obsolescence arising from changes in production techniques or in market demand for the use of its equipment.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

8. Investment in Subsidiaries

	29 December 2013 $'000	30 December 2012 $'000
Unquoted equity shares at cost	648,065	712,850
Quoted equity shares at cost	19,461	19,461
	667,526	732,311

9. Intangible Assets

The Company's intangible assets consist of patent costs, software, licenses and others.

	29 December 2013 $'000	30 December 2012 $'000
Cost		
Beginning of financial year	30,997	26,665
Additions	4,310	4,469
Write-off	(90)	(137)
End of financial year	35,217	30,997
Accumulated amortisation		
Beginning of financial year	6,181	4,708
Additions	1,792	1,488
Write-off	(12)	(15)
End of financial year	7,961	6,181
Net book value	27,256	24,816

10. Accrued Operating Expenses

	29 December 2013 $'000	30 December 2012 $'000
Staff costs	11,319	15,472
Purchase of raw materials	9,170	8,156
Maintenance fees, license fees and royalties	3,866	4,241
Interest expense	10,236	19,913
Accruals for vacation liability	1,884	2,002
Forward contracts payable	299	–
Other accrued operating expenses	6,118	5,597
	42,892	55,381

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. Income Taxes

In 2012, the Singapore Economic Development Board ("EDB") extended the Company's five year tax incentive for its Singapore operations, whereby certain qualifying income will be subject to a concessionary tax rate of 5% instead of the Singapore statutory rate of 17%, subject to the fulfillment of certain continuing conditions. The extended tax incentive will expire in June 2017.

Deferred taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and unutilised capital allowance carryforwards. The tax effect of significant items comprising the Company's deferred tax liabilities are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Deferred tax liabilities:		
Undistributed earnings of subsidiaries	5,576	6,952

In 2013 and 2012, the Company recognised deferred tax liability of $2.2 million and $1.0 million, respectively, for taxes that would be payable on the undistributed earnings of certain of the Company's subsidiaries upon remittance to Singapore in the foreseeable future. These are not expected to be recovered within one year.

The movement in deferred tax liabilities is as follows:

	Undistributed Earnings of Subsidiaries $'000
Balances at 31 December 2012	6,952
Charges to Income Statement	2,173
Settlement with taxing authority	(3,549)
Balances at 29 December 2013	5,576
Balances at 26 December 2011	7,338
Charges to Income Statement	1,048
Settlement with taxing authority	(1,434)
Balances at 30 December 2012	6,952

As of 29 December 2013, the Company has approximately $23.9 million (2012: $23.9 million) and $245.9 million (2012: $232.7 million) of tax loss carryforwards and unutilised capital allowances, respectively, which can, subject to the relevant provision of the Singapore Income Tax Act, be carried forward and utilised against future taxable profits.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. The ultilisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, historical taxable income, projected future taxable income based on business plans, and tax planning strategies in making this assessment.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

12. Borrowings

	29 December 2013 $'000	30 December 2012 $'000
4.5% senior notes due 2018	583,820	–
5.375% senior notes due 2016	199,033	198,715
7.5% senior notes due 2015	–	593,894
U.S. dollars floating rate revolving credit facilities	104,227	50,690
Total borrowings	887,080	843,299
Less: borrowings repayable within one year	37,947	50,690
Long-term borrowings	849,133	792,609

Refer to Note 15 of the consolidated financial statements for details of the borrowings.

The exposure of the borrowings of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	29 December 2013 $'000	30 December 2012 $'000
6 months or less	104,227	50,690
6 - 12 months	–	–
1 - 5 years	782,853	792,609
	887,080	843,299

The fair values of the borrowings of the Company at balance sheet dates are as follows:

	29 December 2013 $'000	30 December 2012 $'000
4.5% senior notes due 2018	608,096	–
5.375% senior notes due 2016	205,536	209,600
7.5% senior notes due 2015	–	636,000
U.S. dollars revolving credit facilities at floating rates	104,227	50,690
	917,859	896,290

The fair values of the senior notes are determined from the trading market prices of the senior notes as of each balance sheet date. The borrowings under the U.S. dollars revolving credit facilities at floating rates are assumed to approximate their fair values.

The Company has lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, which amounted to an aggregate of $366.0 million, of which $244.7 million of credit facilities and $10.5 million of other banking facilities were available as of 29 December 2013.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Derivative Financial Instruments

	29 December 2013			30 December 2012		
	Contract notional amount $'000	Asset $'000	Liability $'000	Contract notional amount $'000	Asset $'000	Liability $'000
Cash-flow hedges						
- Currency forwards	25,591	–	(299)	31,721	56	–
Total		–	(299)		56	–

The Company enters into forward contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

14. Share Capital, Share Options and Incentive Plans

Refer to Note 23 of the consolidated financial statements for details of the Share Capital, Share Options and Incentive Plans.

15. Other reserves

(a) Composition

	29 December 2013 $'000	30 December 2012 $'000
Hedging reserve	(299)	56
Foreign currency translation reserve	(9,733)	(9,733)
	(10,032)	(9,677)

(b) Movement

Hedging reserve

	Year ended	
	29 December 2013 $'000	30 December 2012 $'000
Beginning of financial year	56	(11,531)
Fair value gains (losses)	(504)	5,392
Reclassification of fair value losses to Income Statement	149	6,195
Tax on fair value changes	–	–
End of financial year	(299)	56

The hedging reserve is non-distributable.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

16. Commitments and Contingencies

(a) Commitments

As of 29 December 2013 and 30 December 2012, unconditional purchase obligations consist of the following:

	29 December 2013 $'000	30 December 2012 $'000
Capital commitments		
Building, mechanical and electrical installation	1,467	2,083
Equipment	27,670	60,942
	29,137	63,025
Other commitments		
Inventories	36,949	8,083

These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on the Company and specify all significant terms, including fixed or minimum quantities to be purchased, fixed or variable price provisions and the approximate timing of transactions. The duration of these purchase obligations are generally less than 12 months.

The Company is party to certain royalty and licensing agreements which have anticipated cumulative payments of approximately $3.0 million per annum for 2014 through 2018.

The Company leases two facilities in Singapore under operating lease arrangement and has a lease agreement for the land located in Singapore related to its production facility. The Company has also leased certain production equipment under operating leases.

These leases have varying escalation clauses and renewal rights.

Future minimum lease payments under non-cancelable operating leases contracted for at the balance sheet date but not recognised as liabilities were:

	29 December 2013 $'000	30 December 2012 $'000
Not later than one year	12,322	6,585
Between one and five years	8,451	5,253
Later than five years	4,138	4,715
	24,911	16,553

(b) Contingencies

The Company is subject to claims and litigations that arise in the normal course of business. These claims may include allegations of infringement of intellectual property rights of others as well as other claims of liability. The Company accrues liability associated with these claims and litigations when they are probable and reasonably estimable.

In addition, the Company is subject to various taxes in the different jurisdictions in which it operate. These include taxes on income, property, goods and services, and other taxes. The Company submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

agreement by those taxing authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes.

Refer to Note 25(b) of the consolidated financial statements for details of contingencies.

17. Financial Risk Management

Refer to Note 27 of the consolidated financial statements for details on the Group's financial risk management.

Credit Risk

The age analysis of trade receivables past due but not impaired is as follows:

	29 December 2013 $'000	30 December 2012 $'000
Past due less than 30 days	5,163	13,773
30-60 days	1,098	503
61-90 days	3,188	194
More than 90 days	1,371	188
	10,820	14,658

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Gross amount	147	464
Less: Allowance for impairment	(147)	(464)
	–	–
Beginning of financial year	464	523
Additions	437	1,187
Utilised	–	–
Write-back	(754)	(1,246)
End of financial year	147	464

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liquidity Risk

The maturity profile of the Company's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company:

	As at 29 December 2013				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	26,649	–	–	–	26,649
Payables related to property, plant and equipment purchases	94,434	–	–	–	94,434
Accrued operating expenses	42,892	–	–	–	42,892
Borrowings	38,000	67,100	811,152	–	916,252
Amounts due to related parties	100	–	–	–	100
Amounts due to subsidiaries	130,684	–	–	–	130,684
Gross-settled currency forwards					
Receipts	(25,292)	–	–	–	(25,292)
Payments	25,591	–	–	–	25,591
Total	333,058	67,100	811,152	–	1,211,310

	As at 30 December 2012				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	14,424	–	–	–	14,424
Payables related to property, plant and equipment purchases	18,675	–	–	–	18,675
Accrued operating expenses	55,381	–	–	–	55,381
Borrowings	51,000	–	800,000	–	851,000
Amounts due to related parties	28	–	–	–	28
Amounts due to subsidiaries	176,970	–	–	–	176,970
Total	316,478	–	800,000	–	1,116,478

The interest payments on the Company's borrowings due within one year, 1-2 years and 2-5 years amount to $38.3 million (2012: $55.8 million), $38.3 million (2012: $55.8 million) and $74.1 million (2012: $61.0 million), respectively.

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NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Estimation of Fair Value

The accounting classification of each category of financial instruments, and their carrying amounts, are as follows:

	29 December 2013 $'000	30 December 2012 $'000
Financial assets		
Cash and cash equivalents	61,552	84,204
Loan and receivables		
- Accounts receivable, net	108,348	89,092
- Amounts due from subsidiaries	438,025	459,407
- Other receivables	499	806
Total	608,424	633,509
Financial liabilities		
Financial liabilities at nominal value and amortised cost		
- Accounts and other payables	(26,649)	(14,424)
- Payables related to property, plant and equipment purchases	(94,434)	(18,675)
- Accrued operating expenses	(42,892)	(55,381)
- Borrowings	(887,080)	(843,299)
- Amounts due to related parties	(100)	(28)
- Amounts due to subsidiaries	(130,684)	(176,970)
Total	(1,181,839)	(1,108,777)

The following tables set forth the Company's financial assets and liabilities, excluding interest components that were accounted for at fair value on a recurring basis as of 29 December 2013 and 30 December 2012, respectively:

	Fair Value Measurement As of 29 December 2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Foreign currency forward contracts	–	–	–	–
Total assets measured and recorded at fair value	–	–	–	–
Liabilities:				
Foreign currency forward contracts	–	(299)	–	(299)
Total liabilities measured and recorded at fair value	–	(299)	–	(299)

	Fair Value Measurement As of 30 December 2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Foreign currency forward contracts	–	56	–	56
Total assets measured and recorded at fair value	–	56	–	56
Liabilities:				
Foreign currency forward contracts	–	–	–	–
Total liabilities measured and recorded at fair value	–	–	–	–

STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Interested Person Transactions

There were no interested person transactions entered into by the Company and its subsidiaries for the financial year ended 29 December 2013.

Auditors' Remuneration

The following information relates to remuneration of the auditor of the Company during the financial year:

	2013 $'000	2012 $'000
Audit fees paid/payable to:		
- Auditors of the Company	612	609
- Other auditors*	243	250
Non-Audit fees paid/payable to:		
- Auditors of the Company	170	–
- Other auditors*	28	56

* Include PricewaterhouseCoopers firms outside Singapore

Appointment of auditors

The Company has complied with Rules 712 and 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors and the auditors of its subsidiaries and significant associates.

Review of the provision of non-audit services by the auditors

The Audit Committee has undertaken a review of non-audit services provided by the auditor and they would not, in the opinion of the Audit Committee, affect their independence.

Internal controls

Please refer to information disclosed in Section 3 of the Corporate Governance Report.

Material Contracts

Since the end of the previous financial year, no material contract has been entered into between STATS ChipPAC and its subsidiaries involving the interests of the chief executive officer, directors or controlling shareholder, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

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STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Shareholdings Statistics

As of 7 March 2014

Total no. of issued shares : 2,202,218,293
Class of shares : Ordinary shares with equal voting rights

Size of Shareholdings	No. of Shareholders	%	No. of shares	%
1 - 999	350	2.57	129,477	0.01
1,000 - 10,000	10,425	76.72	34,699,255	1.57
10,001 - 1,000,000	2,783	20.48	149,235,779	6.78
1,000,001 and above	31	0.23	2,018,153,782	91.64
Total	13,589	100.0	2,202,218,293	100.0

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Singapore Technologies Semiconductors Pte Ltd	1,845,715,689	83.81
2	Phillip Securities Pte Ltd	29,057,000	1.32
3	DBS Nominees Pte Ltd	18,108,650	0.82
4	United Overseas Bank Nominees Pte Ltd	17,043,000	0.77
5	UOB Kay Hian Pte Ltd	16,220,000	0.74
6	Citibank Consumer Nominees Pte Ltd	8,648,000	0.39
7	Citibank Nominees Singapore Pte Ltd	6,811,995	0.31
8	Jusuf or Mariana	5,401,000	0.25
9	Morph Investments Ltd	5,200,000	0.24
10	OCBC Nominees Singapore Pte Ltd	4,947,900	0.23
11	Maybank Kim Eng Securities Pte Ltd	4,784,350	0.22
12	Ng Hian Chow	4,500,000	0.21
13	Raffles Nominees (Pte) Ltd	4,419,935	0.20
14	HSBC (Singapore) Nominees Pte Ltd	4,264,793	0.19
15	DBS Vickers Securities (S) Pte Ltd	4,117,000	0.19
16	Choo Ah Seng	4,063,000	0.18
17	OCBC Securities Private Ltd	3,809,330	0.17
18	Tan Sek Khoon	3,606,000	0.16
19	DB Nominees (S) Pte Ltd	3,369,140	0.15
20	DBSN Services Pte Ltd	2,810,000	0.13
	Total	1,996,896,782	90.68

STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Substantial Shareholders

	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%	No. of shares	%	No. of shares	%
Temasek Holdings (Private) Limited [1]	--	--	1,845,715,689	83.81	1,845,715,689	83.81

Public Shareholders

Based on the information available to the Company as of 7 March 2014, approximately 16% of the issued shares of the Company is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

Treasury Shares

As at 7 March 2014, there are no treasury shares held.

[1] As notified to our Company by Temasek, a private limited company incorporated in Singapore, wholly-owned by the Minister for Finance of Singapore, a body corporate constituted by the Minister for Finance (Incorporation) Act (Cap. 183), which owns 100% of the ordinary shares of STSPL. Temasek is therefore deemed to beneficially own 1,845,715,689 of our ordinary shares, which are owned directly by STSPL. The percentage beneficially owned is based on an aggregate 2,202,218,293 ordinary shares outstanding as of 7 March 2014.

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Corporate Information

Chairman
James A. Norling

Directors
Tan Lay Koon
Peter Seah Lim Huat
R. Douglas Norby
Teng Cheong Kwee
Rohit Sipahimalani
Pasquale A. Pistorio
Gary W. Tanner

Senior Management
Tan Lay Koon
President and Chief Executive Officer

Wan Choong Hoe
Executive Vice President
Chief Operating Officer

Dr. Han Byung Joon
Executive Vice President
Chief Technology Officer

Hal Lasky
Executive Vice President
Chief Sales Officer

John Lau Tai Chong
Senior Vice President
Chief Financial Officer

Janet T. Taylor
Senior Vice President
General Counsel

Chong Khin Mien
Senior Vice President
Product and Technology Marketing

Company Secretary
Janet T. Taylor

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Shareholder Services for Ordinary Shares
M&C Services Private Limited
112, Robinson Road #05-01
Singapore 068902
Tel: (65) 6227 6660
Fax: (65) 6225 1452

Share Listing
STATS ChipPAC Ltd.'s ordinary shares are traded on the Singapore Exchange Securities Trading Limited under the symbol "STATSChP"

Independent Auditors
PricewaterhouseCoopers LLP
8 Cross Street #17-00, PWC Building Singapore 048424
Audit Partner: Deborah Ong (Appointed in 2013)

Corporate and Investor Information
Financial analysts, shareholders, interested investors and the financial media can find additional information about STATS ChipPAC Ltd. through our website, located at www.statschippac.com

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Marketing Communications
47400 Kato Road, Fremont CA 94538, United States
Tel: (1) 208 867 9859
lisa.lavin@statschippac.com

Annual General Meeting
The 20th Annual General Meeting will be held at 10.00am local time, Tuesday, 22 April 2014 at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046.

Registered Office and Corporate Headquarters
STATS ChipPAC Ltd.
Reg No.: 199407932D

10 Ang Mo Kio Street 65 #05-17/20 Techpoint Singapore 569059
Tel: 65-6824-7777 | Fax: 65-6720-7829 (Legal matters) 65-6720-7826 (Investor Relations matters)