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CORPORATE **PROFILE**

STATS ChipPAC Ltd. ("STATS ChipPAC" or "the Company" - SGX-ST: STATSChP) is a leading service provider of semiconductor packaging design, bump, probe, assembly, test and distribution solutions. A trusted partner and supplier to leading semiconductor companies worldwide, STATS ChipPAC provides fully integrated, multi-site, end-to-end packaging and testing solutions that bring products to the market faster.

Our customers are some of the largest semiconductor companies in the world. STATS ChipPAC is a leader in mixed signal testing and advanced packaging technology for semiconductors used in diverse end market applications including communications, consumer and computing.

With advanced process technology capabilities and a global manufacturing presence spanning Singapore, South Korea, China, Malaysia, Thailand and Taiwan, STATS ChipPAC has a reputation for providing dependable, high quality test and packaging solutions. The Company's customer support offices are centered in the United States (California's Silicon Valley, Arizona, Texas and Massachusetts). Our offices outside the United States are located in South Korea, Singapore, China, Malaysia, Thailand, Taiwan, Japan, the Netherlands and United Kingdom. STATS ChipPAC's facilities include those of its subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation, in Hsin-Chu District, Taiwan. These facilities offer new product introduction support, pre-production wafer sort, final test, packaging and other high volume preparatory services. Together with our research and development centers in South Korea, Singapore, Malaysia, China, Taiwan and the United States, this forms a global network providing dedicated test engineering development and product engineering support for customers from design to volume production.

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 2010 (the "Annual Report").

Forward-Looking Statements

Certain of the statements in this Annual Report are forward-looking statements that are based on management's current views and assumptions and involve a number of risks and uncertainties which could cause actual results to differ materially from those described in this Annual Report. These include statements regarding our financial condition and results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies and synergies, budget, capital and other expenditures, competitive positions, growth opportunities for existing products, benefits from new technology, plans or objectives of management, outcome of litigation, industry growth, the impact of regulatory initiatives, markets for our securities and other statements on underlying assumptions, other than statements of historical fact, including but not limited to those that are identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects" and similar expressions.

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; shortages in supply of key components; customer credit risks; disruption of our operations; 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") and other risks. 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.

FINANCIAL HIGHLIGHTS

REVENUE
(IN US$ MILLION)

2010	1,678
2009	1,326

GROSS MARGIN

2010	20.3%
2009	15.7%

OPERATING EXPENSES/ REVENUE

2010	9.1%
2009	11.7%

CAPITAL EXPENDITURE/ REVENUE

2010	16.5%
2009	12.0%

NET INCOME
(IN US$ MILLION)

2010	108
2009	10

LETTER TO SHAREHOLDERS

Dear Shareholders,

We are pleased to report record revenue and profits for the year 2010. This performance clearly indicates that STATS ChipPAC is well down the road of full recovery from the economic and market disruption in 2008 and 2009.

The 2010 revenue was $1,677.8 million, the highest in the Company's history, and up by $352.1 million or 26.6% from 2009. The strong revenue growth, richer product mix and savings realised from our cost improvement initiatives, resulted in significantly improved profitability over 2009 levels. Gross margin and operating margin for the year increased to 20.3% and 11.2%, compared to 15.7% and 4.0% respectively in 2009. Net income was $108.0 million, which included interest expense of $16.8 million from the $600.0 million bond offering in August 2010, compared to net income of $10.1 million in 2009, an improvement of over 10 times compared to the prior year. Net cash from operations of $465.6 million was generated for the full year of 2010. This coupled with the $600.0 million capital reduction exercise resulted in cash, cash equivalents and marketable securities of $301.7 million and debt of $844.2 million at year end 2010 compared to $368.1 million and $458.0 million respectively at year end 2009. Capital spending was $276.7 million or 16.5% of revenue in 2010 compared to $159.2 million or 12.0% of revenue in 2009.

In addition to the record financial performance, we also achieved significant success in other areas during the year, notably:

- Being first in the world to offer high volume production in 300mm embedded Wafer Level Ball Grid Array (eWLB) packaging;
- Shipping over 250 million units of flip chip packages and growing our flip chip business by more than 50%;
- Expanding our copper wire business engagements with more than 22 customers and shipping in excess of 175 million units of copper wire packages;
- Receiving supplier excellence awards from several customers including Advanced Micro Devices, Analog Devices, Intersil Corporation and Samsung Electronics;
- Winning the prestigious International Financing Review (IFR) Asia's High Yield Bond of the Year award for our $600.0 million bond offering; and
- Returning $600.0 million in capital to our shareholders in October 2010.

We continued throughout the year to make significant investments in packaging technologies such as advanced flip chip, wafer level packaging and copper wire bond. Expenditures for research and development in 2010 grew to $47.5 million or 2.8% of revenue with major investments in wafer level bump, wafer level chip scale packaging, eWLB, Through Silicon Via (TSV) and innovative flip chip with copper column bump, Bond-on-Lead interconnection and enhanced technologies (fcCuBE).

To protect our innovation, we filed a total of 380 new patent applications in 2010 and were issued 169 patents, which strengthened our intellectual property portfolio to 1,736 patents filed or issued by the end of 2010.

We have made good progress to broaden our customer base, establish deeper customer engagement and achieve high volume production with a number of new strategic customers. Our quality, operational excellence and overall customer service were recognised by a number of our customers. In January 2010, we received Intersil Corporation's Supplier of the Year Award. In March 2010, we were awarded Analog Devices' Supplier Excellence Award for the second consecutive year. We received Advanced Micro Devices' World Class Supplier Achievement Award and were honored by Samsung Electronics with its Best Supplier Award in May 2010.

We also received recognition from the financial community. Our $600.0 million five-year bond offering with a tender offer and consent solicitation for $213.0 million outstanding bond due 2011 and three-year $360.0 million bank loan facility was awarded IFR Asia's High Yield Bond of the Year in 2010.

Market research data indicates that the semiconductor industry will grow approximately 4% to 11% in 2011 and the outsourced semiconductor assembly and test industry will grow at an even faster rate than the semiconductor industry as a whole. We believe our Company will benefit from this positive outlook in 2011. We expect 2011 to be a strong year with business development initiatives that will result in new customers and new programs, continued improvement in our cost competitiveness and a successful production ramp of advanced technologies such as wafer level chip scale packaging, eWLB and fcCuBE.

On behalf of the Board of Directors and the management team, we would like to thank our shareholders, customers, vendors and business associates for their support and confidence in STATS ChipPAC. We would also like to recognise and thank our dedicated employees for their perseverance, dedication, innovation, support and contribution, as well as the guidance of our Directors.

Charles R. Wofford Chairman	**Tan Lay Koon** Director, President and Chief Executive Officer

ANNUAL REPORT TO SHAREHOLDERS
FOR THE YEAR 2010*

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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

Charles R. Wofford
Chairman of the Board

Mr. Charles Richard Wofford has been a member of our Board of Directors since February 1998 and the Chairman of our Board of Directors since August 2002. He was re-appointed as a Director on 26 April 2010. Mr. Wofford was with Texas Instruments, Inc. for 33 years before leaving as Senior Vice-President to join Farr Company in 1991. He was the Chairman, Chief Executive Officer and President of Farr Company from 1992 to 1995 and Executive Vice Chairman of FSI International from 1996 to 1998. He received his Bachelor of Arts from Texas Western College.

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 26 April 2010. 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. Mr. Seah was re-elected as a Director on 26 April 2010. He has also been a member of the Temasek Advisory Panel since 1 January 2005. 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 is the Chairman of DBS Bank Ltd, DBS Group Holdings Ltd and Singapore Technologies Engineering Ltd and sits on the boards of several other companies, including CapitaLand Limited, StarHub Ltd, and STT Communications Ltd. He is also Deputy Chairman of Global Crossing Limited. His other appointments include serving as Chairman of the Singapore Health Services Pte Ltd, and LaSalle Foundation Limited and board member of Defence Science and Technology Agency. Mr. Seah also serves on the board of the Government of Singapore Investment Corporation. Mr. Seah was the Chairman of Singapore Computer Systems Limited and Sembcorp Industries Ltd, Deputy Chairman of Singapore Technologies Telemedia Pte Ltd and STT Communications Ltd, President Commissioner of PT Indosat Tbk and Director of Chartered Semiconductor Manufacturing Ltd (now known as Global Foundries Singapore Pte Ltd) and Siam Commercial Bank Public Company Limited. He was awarded the Public Service Star (Bintang Bakti Masyarakat) in 1999. 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. He was re-appointed as a Director on 26 April 2010. 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. Mr. Norby is a director of Alexion Pharmaceuticals, Inc., Nexx Systems, Inc., Invensense, Inc., Magnachip Semiconductor Corporation and Ikanos Communications, Inc. and serves as the Chairman of each of Alexion's, Nexx's, Invensense's and Magnachip's audit committee. Mr. Norby is a member of Ikanos' audit committee. 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. Mr. Teng was re-elected as a Director on 27 April 2009. 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 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. He is also a non-executive Director of several other companies listed on the SGX-ST, including Sinonem Technology Ltd, AEI Corporation Ltd, Techcomp (Holdings) Ltd, Memtech International Ltd and First Resources Ltd. He previously sits on the board of Junma Tyre Cord Company Ltd. Mr. Teng received his Bachelor of Engineering (Industrial) (First Class Honors) and Bachelor of Commerce from the University of Newcastle in Australia.

Tokumasa Yasui

Mr. Tokumasa Yasui has been a member of our Board of Directors since January 2007. He was re-elected as a Director on 27 April 2009. Mr. Yasui was an Advisor and Special Advisor to the President of Renesas Solutions Corp., a subsidiary of Renesas Technology Corp., which is a joint venture between Hitachi Ltd. and Mitsubishi Ltd, from September 2007 to December 2008 and September 2006 to August 2007, respectively. Prior to that, he was a Managing Director of Renesas Semiconductor (Malaysia) Sdn. Bhd. He has also held various senior management positions with Hitachi Ltd. where he last served as Group Executive of the Semiconductor Division. He has also served as Executive Vice President of Elpida Memory, Inc. which started as a joint venture between Hitachi Ltd. and NEC Corp. Mr. Yasui holds a Bachelor of Engineering and a Master of Engineering in Electrical Engineering from Kyoto University.

Rohit Sipahimalani

Mr. Rohit Sipahimalani has been a member of our Board of Directors since April 2009. He is currently a Managing Director, Investment at Temasek. 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.

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 2000. From 1994 to 2000, Mr. Wan served as National Semiconductor's Vice President and Managing Director responsible for Singapore, and previously held positions as Director of Operations and Director of QRA/Logistics. 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 IBM Corporation ("IBM") and AT&T Bell Labs in Murray Hill, New Jersey. He is credited with the invention of several wafer and chip-scale semiconductor packaging technologies which have been patented. Dr. Han received his Doctorate in Chemical Engineering from Columbia University, New York in 1988. Dr. Han attended the Harvard Business School's Executive Advanced Management Program in 2008.

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 Tai Chong joined us as our Chief Financial Officer in October 2007. Prior to joining us, he was Chief Financial Officer at Abacus International Pte Ltd with overall responsibility for spearheading strategic and financial planning, management and statutory reporting, controllership, tax planning, treasury and risk management, legal, mergers and acquisitions, strategic investments and strategic operations of Abacus International Pte Ltd and its subsidiaries. Prior to that, Mr. Lau 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion of our business, financial condition and results of operations should be read in conjunction with our unaudited 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 are generally thirteen weeks in length. Our fourth quarter of 2010 and fiscal year 2010 ended on 26 December 2010, while our fourth quarter of 2009 and fiscal year 2009 ended on 27 December 2009, respectively.

The financial statements included in this release have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS"). This is STATS ChipPAC's first condensed financial statements prepared in accordance with FRS. The financial statements of STATS ChipPAC had previously been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

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.

Capital Reduction and Cash Distribution

On 29 October 2010, we effected a capital reduction to return share capital in an amount of $600.0 million or $0.27 per ordinary share to our shareholders. The capital reduction and cash distribution were approved by the shareholders in an Extraordinary General Meeting on 27 September 2010.

Results of Operations and Selected Data

	Year Ended			
	26 December 2010		27 December 2009	
	(In millions, except for ratio)			
		% of net revenues		% of net revenues
Net revenues	$ 1,677.8	*100.0*	$ 1,325.7	*100.0*
Cost of revenues	(1,337.9)	*(79.7)*	(1,117.3)	*84.3*
Gross profit	339.9	*20.3*	208.4	*15.7*
Operating expenses:				
Selling, general and administrative	98.7	*5.9*	95.5	*7.2*
Research and development	47.5	*2.8*	43.4	*3.3*
Tender offer expense	3.1	*0.2*	–	–
Restructuring charges	1.4	*0.1*	16.1	*1.2*
Write-off of debt issuance costs	2.0	*0.1*	–	–
Total operating expenses	152.7	*9.1*	155.0	*11.7*
Operating income	187.2	*11.2*	53.4	*4.0*
Other income (expense), net:				
Interest income (expense), net	(41.1)	*(2.5)*	(28.9)	*(2.2)*
Foreign currency exchange gain (loss)	(2.6)	*(0.1)*	(6.5)	*(0.5)*
Share of profit (loss) of associate	0.5	*0.0*	(1.3)	*(0.1)*
Other non-operating income (expense), net	(1.6)	*(0.1)*	(2.0)	*(0.2)*
Total other expenses, net	(44.8)	*(2.7)*	(38.7)	*(3.0)*
Income before income taxes	142.4	*8.5*	14.7	*1.0*
Income tax expense	(27.0)	*(1.6)*	(3.7)	*(0.3)*
Net income for the year	115.4	*6.9*	11.0	*0.7*
Less: Net income attributable to the non-controlling interest	(7.4)	*(0.4)*	(0.9)	*(0.1)*
Net income attributable to STATS ChipPAC Ltd.	$ 108.0	*6.5*	$ 10.1	*1.6*

Year Ended 26 December 2010 compared to Year Ended 27 December 2009

Net Revenues

We derive revenues primarily from packaging and testing of laminate and leaded packages. Net revenues were $1,677.8 million in 2010, an increase of 26.6% compared to $1,325.7 million in 2009. The increase in net revenues in 2010 compared to the same periods in 2009 was primarily due to continued improvement in the semiconductor industry.

In 2010, unit volumes of our total packaging were 33.7% higher compared to 2009. Average selling prices declined by 8.0% in 2010 compared to 2009 due to product mix change and price decrease. These resulted in a net increase of our packaging revenues in 2010 by 23.0% to $1,190.4 million compared to 2009. Revenue from test services in 2010 increased 14.6% to $347.1 million compared to 2009. Revenue from wafer level processing and other services in 2010 increased 157.2% to $140.4 million compared to 2009. Previously, we reported revenue from wafer level processing and other services together with revenue from test services as revenue from test and other services. Commencing with the three months ended 30 June 2010, we have been reporting revenue from wafer level processing and other services separately from revenue from test services as a result of an increase in revenue from wafer level processing. We have similarly disclosed revenue from wafer level processing and other services separately from revenue from test services for 2009 for comparative purposes.

In 2010, revenue contribution from the communications market increased 3.7% over 2009 to $902.1 million, and represented 53.8% of our revenues in 2010. Revenue contribution from consumer, multi-applications and other markets in 2010 decreased 0.8% compared to 2009 to $540.5 million, and represented 32.2% of our revenues in 2010. Revenue contribution from the personal computer market in 2010 decreased 2.9% to $235.2 million over 2009, and represented 14.0% of our revenues in 2010. We expect to continue to depend on the communications, consumer and multi-applications, and personal computer markets for substantially all of our net revenues.

Gross Profit

Gross profit in 2010 was $339.9 million, compared to $208.4 million in 2009. Gross profit as a percentage of revenues was 20.3% in 2010, compared to 15.7% in 2009. Gross profit for 2010 increased primarily due to higher net revenues, richer product mix and higher savings from our cost reduction efforts. Overall equipment utilisation was approximately 64% in 2010 compared to 52% in 2009. 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. We continue to experience higher cost as a result of external global economic factors, such as higher substrate and gold prices which affected our cost of materials, and the adverse effect of the strengthening of the Singapore dollar, Chinese Renminbi, Malaysian Ringgit and Thai Baht against the U.S. dollar, particularly in 2010.

Selling, General and Administrative

Selling, general and administrative expenses were $98.7 million in 2010, an increase of 3.4% compared to $95.5 million in 2009. In 2009, selling, general and administrative expenses were higher primarily due to higher payroll expenses. As a percentage of revenues, selling, general and administrative expenses were 5.9% in 2010 compared to 7.2% in 2009.

Research and Development

Research and development expenses were $47.5 million in 2010 compared to $43.4 million in 2009. The increase in research and development expenses in 2010 was primarily due to an increase in research and development activities in advanced packaging in 2010 and lower research and development expenses in 2009 as a result of longer mandatory shutdowns and vacations. As a percentage of revenues, research and development expenses were 2.8% in 2010, compared to 3.3% in 2009.

Tender Offer Expenses

In 2010, we recorded a tender offer expense of $3.1 million from our cash tender offer and consent solicitation in respect of our 6.75% Senior Notes due 2011. No tender offer expenses were incurred 2009.

Restructuring Charges
In 2010, severance and related charges of $1.4 million related to the reduction of workforce by 21 employees was expensed off.

In 2009, we recorded severance and related charges of $16.1 million in connection with our restructuring plan involving the reduction of approximately 620 employees, representing approximately 5% of our global workforce. We implemented the restructuring plan to reduce our operating costs in response to the severe operating environment during that period and to realign our organisation's structure and efficiency.

Write-Off of Debt Issuance Cost
In 2010, we wrote off $2.0 million of debt issuance pursuant to our voluntary repayment of $60.0 million on our $360.0 million senior credit facility. No write off of debt issuance cost was incurred in 2009.

Net Interest Income (Expense)
Net interest expense was $41.1 million in 2010, compared to $28.9 million in 2009. Interest income was $2.3 million in 2010, compared to $2.2 million in 2009. The increase in interest income in 2010 was primarily due to higher average holding of cash, cash equivalent and marketable securities during 2010 compared to 2009.

Interest expense was $43.5 million in 2010, compared to $31.1 million in 2009. The increase in interest expense was primarily due to interest expense from our issuance of the 7.5% Senior Notes due 2015 in August 2010 and the draw down of $310.0 million from our $360.0 million senior credit facility, partially offset by the redemption of $150.0 million of our 7.5% Senior Notes due 2010 upon maturity in July 2010, our purchase of $164.9 million of our 6.75% Senior Notes in August and September 2010 in connection with our tender offer and consent solicitation in respect of those notes and our redemption of the remaining $48.1 million of our 6.75% Senior Notes in November 2010. Total outstanding interest-bearing debt was $844.2 million and $458.0 million as of 26 December 2010 and 27 December 2009, respectively.

Foreign Currency Exchange Gain (Loss)
Net foreign currency exchange loss was $2.6 million in the 2010, compared to $6.5 million in 2009. These non-cash losses were due primarily to the fluctuations during 2010, compared to 2009, between the exchange rate of the U.S. dollar and the South Korean Won, the Singapore dollar, the Malaysian Ringgit, the Chinese Renminbi and the Thai Baht, respectively.

Other Non-Operating Income (Expense), Net
Net other non-operating expense was $1.6 million in 2010, compared to $2.0 million in 2009. The non-operating expense in 2009 was primarily due to the expenses related to our previously disclosed capital reduction and debt financing proposal in 2008.

Income Tax Expense
Our consolidated income tax expense was $27.0 million in 2010, compared to $3.7 million in 2009, 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.

The $27.0 million tax expense in 2010 included tax benefit adjustments to the effective tax rate related to $4.7 million of liability for unrecognised tax benefits for uncertain tax positions in 2010, compared to tax expense adjustments of $0.4 million in 2009. We incurred approximately $20.4 million of non-tax deductible expenses related to the capital reduction transaction in 2010.

Liquidity and Total Borrowings

Our principal source of liquidity consists of cash flows from operating activities, bank facilities, debt financing, and our existing cash, cash equivalents and marketable securities. During 2010, the proceeds from the offering of our $600.0 million senior unsecured notes, drawdown of $310.0 million from our senior credit facility together with funds received from our business operations were used to provide cash for the Group's requirements for day-to-day operations, repayment of existing senior notes and cash distribution to shareholders pursuant to the capital reduction. Following the capital reduction of $600.0 million, we had cash, cash equivalents and marketable securities of $301.7 million as of 26 December 2010. 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 $514.3 million, of which $65.3 million of credit facilities and $41.1 million of other banking facilities were available as of 26 December 2010. 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 expenditures in the three months ending 27 March 2011 to be approximately $80 million to $90 million. We spent $276.7 million on capital expenditures in 2010, compared to $159.2 million in 2009. Our capital expenditure in 2010 was higher than 2009 as we expanded our wafer level packaging and 300mm embedded Wafer-Level Ball Grid Array (eWLB) manufacturing capacity.

As of 26 December 2010, our total debt outstanding consisted of $844.2 million of borrowings, which included $600.0 million of our 7.5% Senior Notes due 2015, and other long-term and short-term borrowings.

On 12 January 2011, we issued $200.0 million of 5.375% Senior Notes due 2016, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by our subsidiaries, with the exception of STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively "Non-Guarantor Subsidiaries") and if regulatory approval is not obtained, STATS ChipPAC Korea Ltd. In February 2011, the Company received regulatory approval for the 5.375% Senior Notes due 2016 to be fully and unconditionally guaranteed by its subsidiary, STATS ChipPAC Korea Ltd., which accordingly has become a guarantor of such notes. These notes are our senior unsecured obligations and are listed on the Singapore Exchange Securities Trading Limited. 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.

On 8 November 2010, we obtained a revolving credit facility for $50.0 million from Sumitomo Mitsui Banking Corporation, Singapore Branch, as lender. The purpose of the facility is for our general corporate funding. As of 26 December 2010, we have not drawn down on the revolving credit facility.

On 12 August 2010, we issued $600.0 million of 7.5% Senior Notes due 2015 for proceeds, after deducting debt issuance cost, of $589.7 million. These notes are our senior unsecured obligations and are listed on the Singapore Exchange Securities Trading Limited. These notes are guaranteed, on an unsecured senior basis, by all of our existing subsidiaries (except STATS ChipPAC Shanghai Co., Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation) and our future restricted subsidiaries (except where prohibited by local law). These notes will mature on 12 August 2015, bearing interest at the rate of 7.5% per annum payable semi-annually on 12 February and 12 August of each year, commencing 12 February 2011. Prior to 12 August 2013, 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 12 August 2013, 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 12 August 2013, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon a change of control, we will 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, which, 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.

In July 2010, we commenced a cash tender offer and consent solicitation in respect of any and all of our $213.0 million of 6.75% Senior Notes due 2011. On 27 August 2010, upon the expiry of the cash tender offer and consent solicitation, an aggregate principal amount of $164.9 million, representing 77.4%, of the $213.0 million 6.75% Senior Notes due 2011 were validly tendered. Tender offer expense of $3.1 million was recorded in 2010 for the purchase of all the validly tendered senior notes. We financed the cash tender offer and consent solicitation from the drawdown of $160.0 million from the $360.0 million senior credit facility obtained in May 2010 and cash on hand. On 15 November 2010, we redeemed all the remaining $48.1 million of such notes outstanding at a redemption price of 100.0% of the principal amount plus accrued and unpaid interest up to the redemption date in accordance with the terms of such notes. We incurred a write-off of debt issuance cost of $0.3 million in 2010 in connection with the redemption of such remaining notes.

In July 2010, we redeemed our $150.0 million of 7.5% Senior Notes due 2010 at maturity on 19 July 2010. We financed the redemption with a drawdown of $150.0 million from the $360.0 million senior credit facility obtained in May 2010. Upon the redemption at maturity, all the $150.0 million notes were cancelled.

We had a line of credit from Bank of America with a credit limit of $50.0 million. In July 2010, the principal of and interest on the two loan tranches of $25.0 million each were repaid. Both loan tranches bore interest at the rate of 1.68% per annum. We funded the repayment with cash on hand.

In June 2010, STATS ChipPAC Shanghai Co., Ltd. renewed a short term loan facility from Bank of Communications Co., Ltd. with a credit limit of $6.0 million. As of 26 December 2010, $6.0 million was outstanding under this credit facility. Interest on the loan is payable on a quarterly basis. The loan bears interest at a floating rate which, as of 26 December 2010, was 4.2% per annum.

On 18 May 2010, we obtained a senior credit facility of $360.0 million with a syndicated group of lenders. The credit facility was guaranteed by all of our material wholly-owned subsidiaries other than our China subsidiaries and was scheduled to mature in May 2013. 5% of the principal amount of the credit facility was repayable on each of the first two semiannual payment dates, 10% of the principal amount of the credit facility on the third semiannual payment date, 15% of the credit facility on each of the fourth and fifth semiannual payment dates, and the remaining 50% of the principal amount of the credit facility on the ninth (and final) semiannual payment date. The interest rate payable under the credit facility was determined by reference to LIBOR plus an applicable margin based on our then-applicable leverage ratio. The agreement governing the credit facility contains provisions relating to optional prepayment, mandatory prepayment, representations, affirmative and negative covenants and events of default. The loan drawdown was required to be made within six months from the date of the facility agreement but no later than 15 November 2010. We incurred deferred debt issuance cost of approximately $12.4 million in syndication, legal and other costs in 2010. On 19 July 2010, we made a drawdown of $150.0 million from the credit facility to finance the redemption upon maturity of the 7.5% Senior Notes due 2010. On 12 August 2010, we further made a drawdown of $160.0 million from the credit facility to finance the cash tender offer and consent solicitation for the 6.75% Senior Notes due 2011. Under the terms of the credit facility, in the event we make a cash distribution pursuant to a capital reduction pursuant to the Companies Act, Chapter 50 of Singapore, we and our subsidiaries, STATS ChipPAC (BVI) Limited and STATS ChipPAC (Thailand) Ltd., would each be required to pledge our respective accounts receivables in favor of the lenders as security for the credit facility within specified time periods following the completion of such cash distribution. We obtained shareholders' approval at an extraordinary general meeting for a capital reduction, which, upon the lodgment of the Order of Court from the Singapore High Court confirming the capital reduction, became effective on 20 October 2010. We effected the cash distribution pursuant to the capital reduction on 29 October 2010 and thereafter effected the pledge of accounts receivables required under the credit facility.

On 16 November 2010, we made the first installment payment of $15.5 million in accordance with the repayment schedule under the term loan facility and on 16 December 2010, we made a voluntary repayment of $60.0 million under this facility. As of 26 December 2010, $234.5 million of loan was outstanding under the senior credit facility. We incurred a write-off of debt issuance cost of $2.0 million in 2010 in connection with the voluntary repayment of $60.0 million under this facility. The loans bore interest at floating rate of 3.5% as at 26 December 2010. In 2010, we entered into interest rate swap contracts for principal amount of $170.0 million to swap floating-to-fixed to partially protect us from fluctuations in interest rates. On 18 January 2011, we fully repaid the $234.5 million principal outstanding as of 26 December 2010. We funded the repayment from the net proceeds of the $200.0 million Senior Notes due 2016 issued on 12 January 2011 together with cash on hand.

In September 2009, STATS ChipPAC Korea Ltd. obtained a short term loan facility from DBS Bank Ltd with a credit limit of $25.0 million. This facility expired in the fourth quarter of 2010.

In March 2009, we repurchased $2.0 million aggregate principal amount of our $215.0 million 6.75% Senior Notes due 2011 for $1.7 million (excluding interest). We funded the repurchase of these senior notes with our existing cash on hand. As a result, we recognised a gain on repurchase of senior notes of $0.3 million in the first quarter of 2009. In connection with the tender offer and consent solicitation described above, these notes have been cancelled.

In October 2007, we consummated the previously announced definitive agreement with LSI Corporation ("LSI") pursuant to which STATS ChipPAC (Thailand) Limited acquired LSI's assembly and test operations in

Thailand for an aggregate purchase price of approximately $100.0 million. We funded the initial payment of $50.0 million of the aggregate purchase consideration with our working capital, including our cash and cash equivalents, and issued a promissory note bearing interest of 6.0% per annum for the balance $46.8 million purchase price, after taking into account a contractual net-off of $3.2 million of receivables from LSI. The promissory note is payable over four annual installments of $20.0 million, $10.0 million, $10.0 million and $6.8 million commencing 2 October 2008. The first, second and third annual installment of $20.0 million, $10.0 million and $10.0 million were paid to LSI in 2008, 2009 and 2010, respectively. As of 26 December 2010, the amount payable to LSI under the promissory note was $6.8 million.

STATS ChipPAC Taiwan Semiconductor Corporation has a NT$3.6 billion floating rate New Taiwan dollar term loan facility (approximately $121.6 million based on exchange rate as of 26 December 2010) with a syndicate of lenders, with Taishin Bank as the sponsor bank. The loan drawdowns must be made within 24 months from the date of first drawdown, which took place in February 2007. Upon expiry of the 24 months period in February 2009, this facility ceased to be available for further drawdown. STATS ChipPAC Taiwan Semiconductor Corporation has drawn down NT$0.7 billion (approximately $23.6 million based on exchange rate as of 26 December 2010) under the term loan facility. The principal of and interest on the loan is payable in nine quarterly installments commencing February 2009 (being 24 months from first draw down date) with the first eight quarterly installments each repaying 11% of the principal and the last quarterly installment repaying 12% of the principal. In May 2009, STATS ChipPAC Taiwan Semiconductor Corporation refinanced the outstanding NT$0.6 billion (approximately $20.3 million based on exchange rate as of 26 December 2010) loan with new credit facilities of NT$873.0 million (approximately $29.5 million as of 26 December 2010) obtained from various bank and financial institutions. In the first quarter of 2010, STATS ChipPAC Taiwan Semiconductor Corporation early repaid NT$200.0 million (approximately $6.8 million based on exchange rate as of 26 December 2010) of loan outstanding under these credit facilities. As of 26 December 2010, NT$373.0 million (approximately $12.6 million based on exchange rate as of 26 December 2010) of loan under these credit facilities was outstanding. These credit facilities have floating interest rates which, as of 26 December 2010, ranged from 1.6% to 1.8% per annum and maturities ranging from May 2011 to May 2012.

Additionally, STATS ChipPAC Taiwan Semiconductor Corporation has a NT$0.3 billion (approximately $10.1 million as of 26 December 2010) credit facility with Mega Bank of which NT$59.6 million (approximately $2.0 million based on exchange rate as of 26 December 2010) borrowing was outstanding as of 26 December 2010. This credit facility has a floating interest rate which, as of 26 December 2010 was 1.8% per annum and expires in August 2012. This loan is secured by a pledge of land and building with a combined net book value of $6.6 million as of 26 December 2010.

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 obligations for the next 12 months. We regularly evaluate our current and future financing needs and may take advantage of favorable 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 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 favorable to us or that any additional financing will not be dilutive to our shareholders or detrimental to our creditors.

Cash Flow Information

	Year Ended	
	26 December 2010	27 December 2009
	(In millions)	
Net cash provided by operating activities	$ 465.7	$ 201.0
Net cash used in investing activities	$ (304.8)	$ (162.2)
Net cash used in financing activities	$ (253.0)	$ (45.9)

Cash Flows From Operating Activities

In 2010, cash provided by operations was $465.7 million compared to $201.0 million in 2009. Cash provided by operations is calculated by adjusting our net (loss) income by non-cash related items such as income tax expense, depreciation and amortisation, loss or gain from sale of assets, loss or gain from repurchase of senior notes and tender offer expenses, write-off of debt issuance cost, foreign currency exchange loss or gain, share-based compensation expense, share of profit (loss) of associate, interest income, interest expense and by changes in assets and liabilities. In 2010, non-cash related items included income tax expense of $27.0 million, $277.7 million related to depreciation and amortisation, $4.2 million loss from repurchase of senior notes, $2.0 million of write-off of debt issuance costs, $0.5 million gain from the sale of equipment, $2.6 million from foreign currency exchange losses and $0.5 million income from share of profit (loss) of associate.

In 2009, non-cash related items included income tax expense of $3.7 million, $266.6 million related to depreciation and amortisation, $1.2 million losses from the sale of equipment, $0.3 million gains from repurchase of senior notes, $1.0 million from foreign currency exchange losses, $0.5 million related to share-based compensation expense and $1.3 million loss from share of profit (loss) of associate.

Working capital uses of cash in 2010 included increases in accounts receivables, inventories and other receivables, prepaid expense and other assets. Working capital sources of cash in 2010 included decreases in amount due from related parties and increases in accounts payable, accrued operating expenses and other payables and amount due to related parties. Accounts receivables were higher compared to 27 December 2009 due to higher net revenues. Additionally, accounts payables, accrued operating expenses and other payables increased as compared to 27 December 2009 primarily due to timing of quarterly purchases and an increase in revenue activities.

Cash Flows From Investing Activities

In 2010, cash used in investing activities was $304.8 million compared to $162.2 million in 2009. 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 $283.1 million in 2010 compared to $140.8 million in 2009. In 2010, we invested $6.8 million, compared to $5.0 million in 2009, in the acquisition of software, licenses and other intangible assets. In 2010, we purchased $25.7 million of financial assets, available-for-sale, compared to $67.6 million in 2009. In 2010, we received proceeds from the sale and maturity of our marketable securities of $6.4 million compared to $31.7 million in 2009. We received $2.3 million of interest income in 2010 and 2009.

Cash Flows From Financing Activities

In 2010, cash used in financing activities was $253.0 million compared to $45.9 million in 2009. In 2010, $303.6 million of bank borrowings were incurred and $94.4 million of our borrowings were repaid. In 2010, $589.7 million of proceeds, after deducting debt issuance cost, were received from the issuance of our $600.0 million of 7.5% Senior Notes due 2015. In 2010, we redeemed our $150.0 million of 7.5% Senior Notes due 2010 upon maturity and purchased $164.9 million of our 6.75% Senior Notes due 2011 (excluding interest and the $2.0 million we repurchased in March 2009) in connection with our tender offer and consent solicitation in respect of those notes in August and September 2010 at an aggregate consideration of $168.0 million. In 2010, we redeemed the remaining $48.1 million of such notes outstanding at a redemption price of 100.0% of the principal amount plus accrued and unpaid interest up to the redemption date in accordance with the terms of such notes with cash on hand. We incurred a write-off of debt issuance cost of $0.3 million in connection with the redemption of such remaining notes. In October 2010, we effected the capital reduction of $600.0 million to our shareholders. In 2010, we paid $28.3 million of interest expense. In 2009, $29.8 million of borrowings were incurred and $38.7 million of our borrowings were repaid. In March 2009, we repurchased $2.0 million aggregate principal amount of our $215.0 million 6.75% Senior Notes due 2011 (excluding interest) at an aggregate consideration of $1.7 million. In 2009, we paid $28.4 million of interest expense.

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 $167.6 million as of 26 December 2010.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 26 December 2010 were as follows:

	Payments Due (in millions)				
	Within 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
On balance sheet commitments:					
7.5% Senior Notes due 2015 (1)	$ –	$ –	$ 600.0	$ –	$ 600.0
6.0% promissory note (1)	6.8	–	–	–	6.8
Senior credit facility (1)(2)	37.0	197.5	–	–	234.5
Long-term loans (1)	11.9	2.5	–	–	14.4
Short-term loans (1)	6.0	–	–	–	6.0
Retirement benefits	0.6	1.7	2.2	5.7	10.2
Other non-current liabilities (3)	–	–	–	–	–
Total on balance sheet commitments	$ 62.3	$ 201.7	$ 602.2	$ 5.7	$ 871.9
Off balance sheet commitments:					
Operating leases	$ 15.4	$ 17.8	$ 12.1	$ 6.0	$ 51.3
Royalty/ licensing agreements	8.9	17.2	16.9	0.1	43.1
Purchase obligations:					
- Capital commitments	50.0	–	–	–	50.0
- Inventory purchase commitments	23.2	–	–	–	23.2
Total off balance sheet commitments	$ 97.5	$ 35.0	$ 29.0	$ 6.1	$ 167.6
Total commitments	$ 159.8	$ 236.7	$ 631.2	$ 11.8	$ 1,039.5

Notes:

(1) Our senior notes, promissory note payable, short-term and long-term loans 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 $54.6 million, $100.1 million and $90.0 million, respectively.

(2) On 18 January 2011, we fully repaid the $234.5 million outstanding under this facility. We financed the repayment with the net proceeds from the issuance of our $200.0 million 5.375% Senior Notes due 2016, together with cash on hand.

(3) Our other non-current liabilities as of 26 December 2010 were $13.5 million, including $9.6 million related to non-current retirement benefits for our employees in Malaysia and Thailand. Also included in the other non-current liabilities is $0.6 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.

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 and management of the Company 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 with reference to the Singapore Code of Corporate Governance 2005 (the "**Code**").

1. Board Matters

- The Board's Conduct of Affairs

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 senior 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. Key roles of the Board 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 corporate governance best practices; and
- reviewing and approving nominees for appointment as directors and key management staff, including review of performance and remuneration package.

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.

The Company has established financial authorisation and approval limits for operating and capital expenditures, 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.

A formal letter is sent to a director upon his appointment setting out his duties and responsibilities. A new director will also be briefed on the strategic direction and performance of the Company and its key subsidiaries.

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. Ad-hoc meetings are convened as and when necessary to deliberate on specific issues. To facilitate the Boards 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.

The number of Board and Board committee meetings held and each director's attendance in the financial year ended 26 December 2010 is 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	5 meetings	5 meetings	4 meetings	2 meetings	4 meetings
Charles R. Wofford	100		100	100	100
#Tan Lay Koon	100	80	100	100	100
R. Douglas Norby	100	100	100		
Peter Seah Lim Huat	100		100	100	
Teng Cheong Kwee	100	100		100	100
Tokumasa Yasui	100	100			
Rohit Sipahimalani	100				100

Tan Lay Koon, the executive director attends the committee meetings as an invited guest.

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. Charles R. Wofford and its other members in 2010 were 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 senior management to review STATS ChipPAC's annual operating plan and financial performance.

- Board Composition and Guidance

The Board comprises seven directors. Five of the directors are considered by the Board to be independent directors under the Code and, with the exception of the executive director, Mr. Tan Lay Koon, who is also the President and Chief Executive Officer ("**CEO**"), all the directors are non-executive directors, including the Chairman, Mr. Charles R. Wofford. Each of the 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 directors who were considered by the Board to be independent under the Code are Mr. Charles R. Wofford, Mr. Peter Seah, Mr. R. Douglas Norby, Mr. Teng Cheong Kwee and Mr. Tokumasa Yasui.

The Nominating and Corporate Governance Committee ("**NC**") must comprise at least three directors, the majority of whom, including the chairman, must be independent. The NC is chaired by Mr. Charles R. Wofford and its other members in 2010 were Mr. Peter Seah and Mr. Teng Cheong Kwee.

The NC considers Mr. Charles R. Wofford to be an independent director under the Code notwithstanding the employment by STATS ChipPAC, Inc., a subsidiary of the Company, of his son in a non-executive position. The NC is of the view that Mr. Charles R. Wofford is able to exercise strong independent judgment in his deliberation in the interest of the Company.

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 as directors at the next annual meeting of shareholders (or extraordinary general meeting of shareholders at which directors are to be elected);
- the selection of candidates to fill any vacancies on the Board;
- the development and recommendation to the Board of a set of corporate governance guidelines and principles applicable to the Company (being 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, the independence of the directors under the Code.

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

The Board applies the principle of clear division of responsibilities at the top of STATS ChipPAC to ensure an appropriate balance of power and authority. The roles of the Chairman and the CEO are separate and there is a clear division of responsibilities between them. 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. He plays an important role in encouraging constructive relations between the Board and management and ensures 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

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-appointed at each AGM.

The NC reviews and assesses the independence of the directors on an annual basis. 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.

The NC is chaired by Mr. Charles R. Wofford and its other members in 2010 were Mr. Peter Seah and Mr. Teng Cheong Kwee.

- Board Performance

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, director's access to information and Board processes. The NC is of the view that the financial indicators set out in the Code as guidance on the evaluation of the Board are not appropriate as they are more a measure of management's performance and therefore less applicable to the directors.

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

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 as well as interim financial updates to the EC 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 directors is encouraged.

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 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, Level and Mix of Remuneration and Disclosure on 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. Charles R. Wofford and its other members for 2010 were Mr. Seah and Mr. Norby. The duties and responsibilities of the ERCC include the following:

- consider, review, and recommend 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;
- consider, review, vary (if necessary) and approve the entire specific remuneration framework and specific packages for senior management;
- review and make recommendations to the Board the design of any option plans, stock plans and other equity-based plans; and
- consider, review and make 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.

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

(a) the respective performance of the Company and the individual;
(b) what is appropriate to attract and retain and motivate employees to ensure the Company has a committed and talented pool of human resources; and
(c) remuneration packages and norms within the industry and comparable companies.

The CEO, as the 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 2009 is subject to the Company achieving prescribed performance targets over the relevant performance period.

Non-executive directors' remuneration consists of directors' fees and conditional share awards. The directors' fees include basic retainer fees, attendance fees and additional fees for serving on Board committees. Non-executive directors' fees are subject to shareholders' approval at each AGM.

The annual remuneration of the non-executive directors of the Company are set out below for the financial year ended 26 December 2010.

Non-Executive Directors Compensation

Number of Non-Executives Directors in Remuneration Bands Denominated in Singapore Dollars	**2010**
500,000 and above	-
250,000 to 499,999	-
Below 250,000	6

Name of Directors	**Position Held**	**Directors' Fees**
Charles R. Wofford	Board Chairman EC, NC & ERCC Chairman	US$131,000[(1)]
Peter Seah Lim Huat	Director NC & ERCC Member	US$45,000[(2)]
R. Douglas Norby	Director AC Chairman ERCC Member	US$72,000[(3)]
Teng Cheong Kwee	Director EC, NC & AC Member	US$55,000
Tokumasa Yasui	Director AC Member	US$57,000
Rohit Sipahimalani[(4)]	Director EC Member	US$44,000
TOTAL		**US$404,000**

[(1)] Does not include US$7,714 paid to Mr. Charles R. Wofford for restricted share units that vested in 2010
[(2)] Does not include US$5,786 paid to Mr. Peter Seah Lim Huat for restricted share units that vested in 2010
[(3)] Does not include US$5,786 paid to Mr. R. Douglas Norby for restricted share units that vested in 2010
[(4)] Mr. Rohit Sipahimalani is employed by Temasek and the directors' fees are paid to Temasek.

The compensation for the financial year ended 26 December 2010 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	80	20	100

The aggregate annual compensation accruing and paid to the executive director and CEO and each of the top five key senior executives (who are not directors of the Company) for the services rendered in 2010. Share based compensation, details of which are set out in the Directors' Report in this Annual Report, are excluded.

Executive Director and Management's Compensation

Number of Executive Director and Key Executives in Remuneration Bands Denominated in Singapore Dollars	2010
3,000,000 to 3,249,999	1
1,500,000 to 1,749,999	1
1,250,000 to 1,499,999	1
750,000 to 999,999	2
500,000 to 749,999	1

	Fixed (%)[1]	Variable (%)[2]	Total (%)
CEO and Executive Director			
Tan Lay Koon	34	66	100
Key Executives			
Han Byung Joon	48	52	100
Wan Choong Hoe	47	53	100
Hal Lasky	56	44	100
John Lau Tai Chong	64	36	100
Janet T. Taylor	67	33	100

(1) Fixed refers to base salary, annual wage supplement and fixed allowances (including any club membership, transportation and car allowance) earned for the year ended 26 December 2010. It excludes benefits such as 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**") and economic value added ("**EVA**") scheme for the year ended 26 December 2010. STI is a scheme used to determine the annual performance bonuses payable to all employees of the Company. 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.

3. Accountability and Audit

- Accountability

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 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.

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 any time they are in possession of material non-public information and 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. 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 blackout period. This is more stringent than required under the SGX-ST Listing Manual. 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.

- Audit Committee

The Audit Committee ("**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 for 2010 were Mr. Teng Cheong Kwee and Mr. Tokumasa Yasui. All of the members and the Chairman of the AC are non-executive directors and determined by the Board to be independent under the Code with accounting and financial management expertise.

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 and assessing the adequacy and effectiveness of the Company's 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;
- approve 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 Audit Committee may invite any director or officer to attend any Committee 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 Controls

The Company's external auditors, PricewaterhouseCoopers LLP ("**PwC**") carry out in the course of their statutory 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 external auditors' recommendations to address such non-compliance and weaknesses, are reported to the AC. Management will then follow up on PwC's 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.

- Risk Management

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.
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
- risk management processes are integrated with other processes including budgeting, mid/long-term planning and business development

Based on the work performed by the internal auditors and the review undertaken by the external auditors, the Board is of the opinion that the risk management systems are adequate.

- Internal Audit

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 Chief Financial Officer 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 with the Company.

Based on the work performed by the internal auditors and the review undertaken by the external auditors, the Board is of the opinion that the internal controls, including financial, operational and compliance controls are adequate.

4. Communication with Shareholders

- 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 the Company's website, www.statschippac.com.

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

- Greater Shareholder Participation

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 one or more 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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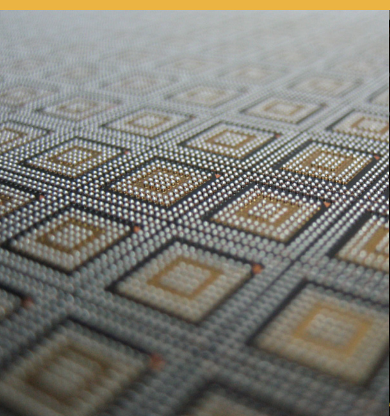


STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 26 December 2010 and the unconsolidated statement of financial position of the Company as at 26 December 2010.

Directors

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

Charles R. Wofford	(Chairman)
Tan Lay Koon	(President and Chief Executive Officer)
Peter Seah Lim Huat	
R. Douglas Norby	
Teng Cheong Kwee	
Tokumasa Yasui	
Rohit Sipahimalani	

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" 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
Charles R. Wofford	9,200	9,200
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	--	2.826	19/10/2001 to 18/10/2010
	325,000	325,000	2.885	29/04/2003 to 28/04/2012
	2,000,000	2,000,000	2.20	26/06/2003 to 25/06/2012
	700,000	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	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 26 December 2010

Directors' interests in shares or debentures (continued)

The Company – Restricted share units granted

	At Beginning of Year	At End of Year	Vesting Dates
Charles R. Wofford	9,200	--(1)	16/02/2008, 16/02/2009 and 16/02/2010(1)
Tan Lay Koon	107,334	--(1)	16/02/2008, 16/02/2009 and 16/02/2010(1)
Peter Seah Lim Huat	6,900	--(1)	16/02/2008, 16/02/2009 and 16/02/2010(1)
R. Douglas Norby	6,900	--(1)	16/02/2008, 16/02/2009 and 16/02/2010(1)

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	3,040

Global Crossing Limited – Common shares of US$0.01 par value each

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	21,618	25,522

Global Crossing Limited - Options to acquire common shares of US$0.01 par value each

	At Beginning of Year	At End of Year	Per Stock Exercise Price US$	Exercisable Period
Peter Seah Lim Huat	40,000	40,000	10.16	12/01/2005 to 12/01/2014

Global Crossing Limited – Restricted stock units of common stock of US$0.01 par value each

	At Beginning of Year	At End of Year	Vesting Dates
Peter Seah Lim Huat	2,345	--	04/06/2010
	--	7,229	08/07/2011

Singapore Technologies Engineering Limited – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	335,108	391,483

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

Directors' interests in shares or debentures (continued)

Singapore Technologies Engineering Limited - Options to acquire ordinary shares

	At Beginning of Year	At End of Year	Per Share Exercise Price S$	Exercisable Period
Peter Seah Lim Huat	22,250	--	2.37	08/02/2006 to 07/02/2010
	22,250	--	2.57	11/08/2006 to 10/08/2010
	33,375	33,375	3.01	10/02/2007 to 09/02/2011
	33,375	33,375	2.84	11/08/2007 to 10/08/2011
	44,500	44,500	3.23	16/03/2008 to 15/03/2012
	44,500	44,500	3.61	11/08/2008 to 10/08/2012

Singapore Technologies Engineering Limited - Conditional award of restricted shares granted

	At Beginning of Year	At End of Year	Vesting Dates
Peter Seah Lim Huat	10,716 (2)	5,358	-- (2)
	0 to 45,750 (3)	--	-- (3)
	--	13,034 (2)	-- (2)
	--	0 to 24,000 (4)	-- (4)

Starhub Ltd - Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	470,710	482,110

Starhub Ltd - Conditional award of restricted shares granted

	At Beginning of Year	At End of Year	Vesting Dates
Peter Seah Lim Huat	16,712 (2)	8,312	-- (2)
	0 to 19,000 (5)	--	-- (5)
	--	5,740 (2)	-- (2)
	0 to 19,000 (6)	0 to 19,000 (6)	-- (6)
	--	0 to 20,000 (7)	-- (7)

Telechoice International Limited - Fully paid ordinary shares

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

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

Directors' interests in shares or debentures (continued)

Notes:

(1) The restricted share units vested in 2010 were paid in cash.

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

(3) The actual number of shares to be delivered will depend on the achievement of set targets over a 1-year period from 1 January 2009 to 31 December 2009. Achievement of targets below 30% target level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of performance shares can be delivered. For this period, 19,551 new shares were awarded on 1 April 2010 upon partial achievement of target sets. The balance of the conditional award covering the period from 1 January 2009 to 31 December 2009 has thus lapsed.

(4) A minimum threshold performance over the period from 1 January 2010 to 31 December 2010 is required for any restricted shares to be released. A specified number of restricted shares to be released will depend on the extent of achievement of all performance conditions and will be delivered in phases according to the stipulated vesting periods.

(5) The actual number of shares to be delivered under the conditional award will depend on the level of achievement of set performance targets in Starhub Ltd over a two-year period from 1 January 2008 to 31 December 2009. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For this period 8,740 new shares were awarded on 30 March 2010 upon partial achievement of targets set. The balance of the conditional award covering the period from 1 January 2008 to 31 December 2009 has thus lapsed.

(6) The actual number of shares to be delivered under the conditional award will depend on the level of achievement of set performance targets in Starhub Ltd over a two-year period from 1 January 2009 to 31 December 2010. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

(7) The shares under the time-based restricted awards will be vested in May 2011.

There were no changes in the above-mentioned directors' interest in the Company between the end of the financial year and 16 January 2011.

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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

Equity Compensation Benefits

The Executive Resource and Compensation Committee ("**ERCC**"), comprising three directors, namely Charles R. Wofford (Chairman), R. Douglas Norby, Peter Seah Lim Huat, 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, the STATS ChipPAC Ltd. Restricted Share Plan, the STATS ChipPAC Ltd. Performance Share Plan 2009 and the STATS ChipPAC Ltd. Equity Grant Plan for Non-Executive Directors (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, no options, RSUs (as defined below) and/or Performance Shares (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, RSUs and/or Performance Shares 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. The number of our ordinary shares that may be issued under the Substitute Option Plan and the Substitute EIP, may not exceed, in the aggregate, approximately 7 million and 73 million ordinary shares, respectively.

(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 26 December 2010	Aggregate options exercised since commencement of the Substitute Plans to 26 December 2010	Aggregate options outstanding as at 26 December 2010
Charles R. Wofford	--	--	--	--
Tan Lay Koon	--	--	--	--
Peter Seah Lim Huat	--	--	--	--
R. Douglas Norby	--	435,000	435,000	--
Teng Cheong Kwee	--	--	--	--
Tokumasa Yasui	--	--	--	--
Rohit Sipahimalani	--	--	--	--

(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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

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

Number of optionholders	Exercise Period From	Exercise Period To	Total	Exercise Price (S$)
28	22/03/2002	21/03/2011	135	0.74
1	09/07/2002	08/07/2011	609	1.84
3	17/04/2002	16/04/2011	884	0.81
14	27/09/2002	26/09/2011	928	0.38
1	16/11/2003	15/11/2012	17,400	0.50
28	17/03/2004	16/03/2013	9,562	0.50
23	05/02/2005	04/02/2014	32,771	1.36
Total			**62,289**	

(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, 18,067,519 options have lapsed.

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. The STATS 1999 option plan was amended from time to time to accomplish various varying objectives including, among other things, to comply with changes in applicable laws and to bring the plan in line with current market practices. 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 and replaced by the STATS ChipPAC Ltd. Restricted Share Plan. 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 26 December 2010	Aggregate options exercised since commencement of the Share Option Plan to 26 December 2010	Aggregate options outstanding as at 26 December 2010
Charles R. Wofford	--	600,000	490,000	--
Tan Lay Koon	--	7,574,000	3,349,000	3,525,000
Peter Seah Lim Huat	--	265,000	160,000	105,000
R. Douglas Norby	--	120,000	120,000	--
Teng Cheong Kwee	--	205,000	--	--
Tokumasa Yasui	--	--	--	--
Rohit Sipahimalani	--	--	--	--

(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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

(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	24/04/2002	23/04/2011	210,160	1.592
153	29/04/2003	28/04/2012	1,458,300	2.885
1	26/06/2003	25/06/2012	2,000,000	2.20
101	06/08/2004	05/08/2013	2,483,400	1.99
108	17/02/2005	16/02/2014	1,421,425	1.91
9	11/08/2005	10/08/2014	17,501	1.06
10	03/05/2006	02/05/2015	29,946	1.01
12	31/10/2006	30/10/2015	34,071	0.925
9	29/11/2006	28/05/2013	81,407	1.08
1	03/01/2007	02/07/2013	43,750	0.993
Total			**7,779,960**	

(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, 62,529,388 options have lapsed.

STATS ChipPAC Ltd. Restricted Share Plan (the "RSP")

(i) As of March 2008, the Company terminated the RSP which was approved and adopted by the members at the Annual General Meeting in April 2006. The purpose of the RSP was to replace the Share Option Plan commencing 2007 and to offer selected individuals an opportunity to acquire a proprietary interest or to increase their interest in the success of our Company through the grant of Restricted Share Units ("**RSUs**").

(ii) The employees, directors and consultants were eligible to participate in the RSP at the absolute discretion of the ERCC.

(iii) RSUs represented unfunded and unsecured rights to receive ordinary shares in the capital of the Company and under the RSP, each RSU had a value equal to the fair market value of an ordinary share. The ERCC had the authority to settle RSUs in cash or ordinary shares. No minimum vesting period was prescribed under the RSP. The length of the vesting period in respect of the RSUs was in accordance with a schedule determined by the ERCC.

(iv) RSUs granted under the RSP were generally not transferable. A grantee of RSUs had no rights as a shareholder with respect to any ordinary shares covered by the grantee's RSUs until such ordinary shares had been delivered in accordance with the terms of the RSP.

(v) Details of RSUs granted to directors and key executives under the RSP are as follows:

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

	RSUs granted during financial year	RSUs granted since commencement of the RSP to 26 December 2010	RSUs vested during financial year	Aggregate RSUs outstanding as at 26 December 2010
Charles R. Wofford	--	27,600	9,200	0
Tan Lay Koon	--	322,000	107,334	0
Peter Seah Lim Huat	--	20,700	6,900	0
R. Douglas Norby	--	20,700	6,900	0
Key Executives	--	403,600	134,536	0

(vi) The number of ordinary shares that may be issued under the RSP may not exceed, in the aggregate, 50 million ordinary shares of our Company (subject to anti-dilution adjustments pursuant to the RSP).

(vii) The Company settled vested RSUs in 2010 in cash. There are no outstanding RSUs.

(viii) Since the commencement of the RSP to the end of the financial year, an aggregate of 6,976,754 RSUs were granted and out of these RSUs granted, 1,567,447 RSUs were cancelled.

The STATS ChipPAC Ltd. Performance Share Plan 2009 (the "PSP 2009")

(i) The PSP 2009 was approved and adopted by the members at the Annual General Meeting of the Company held in April 2009. The purpose of the PSP 2009 is to retain staff whose contributions are essential to the well-being and prosperity of the Company and its subsidiaries and to give recognition to senior employees and executive directors of the Company and its subsidiaries who have contributed to the growth of the Company and its subsidiaries.

(ii) Up to 18 senior employees of the Company and its subsidiaries who meet the relevant age and rank criteria as designated by the ERCC from time to time, including the Chief Executive Officer of the Company and any other executive director of the Company and its subsidiaries, are eligible to participate in the PSP 2009 at the absolute discretion of the ERCC.

(iii) Contingent awards of performance shares, which represent unfunded and unsecured rights to receive ordinary shares in the capital of the Company ("**Performance Shares**"), are granted to eligible employees as the ERCC may, on the recommendation by management of the Company, select in its absolute discretion.

(iv) Upon the Company achieving certain performance targets set by the ERCC, the Performance Shares 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 2009.

(v) Subject to certain rules of the PSP 2009 including consequences arising from termination of employment of a participant and change of control of the Company, vesting of the Performance Shares comprised in outstanding awards shall occur on 31 December 2011.

(vi) The number of ordinary shares to be delivered in respect of such Performance Shares shall be determined in accordance with the rules of the PSP 2009.

(vii) The maximum permissible number of the Company's ordinary shares which could be issued pursuant to awards granted under the PSP 2009 on any date when added to the total number of new ordinary shares issued and issuable pursuant to awards granted under the PSP 2009, shall not exceed 5.02% of the total number of the Company's outstanding ordinary shares.

(viii) Performance Shares contingently awarded under the PSP 2009 are generally not transferable. A grantee of a contingent award of Performance Shares has no rights as a shareholder with respect to any ordinary shares covered by such contingent award of Performance Shares until such ordinary shares have been delivered in accordance with the terms of the PSP 2009.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

(ix) Details of contingent awards of Performance Shares granted under the PSP 2009 are as follows:

Name of Participant	Conditional awards granted during the financial year	Aggregate conditional awards granted since the commencement of PSP 2009 to 26 December 2010	Conditional awards vested during the financial year	Aggregate conditional awards outstanding as at 26 December 2010
Director and CEO of the Company Tan Lay Koon	--	up to 19,819,964	--	up to 19,819,964
Group Executives (excluding Tan Lay Koon)	--	34,000,000 to 69,000,000	--	34,000,000 to 69,000,000

(x) Since the commencement of the PSP 2009 to the financial year ended 26 December 2010, contingent awards aggregating between 34,000,000 and 88,819,964 Performance Shares have been contingently awarded under the PSP 2009, representing the number of ordinary shares to be delivered if the performance targets set by the ERCC are achieved.

The STATS ChipPAC Ltd. Equity Grant Plan for Non-Executive Directors (the "NED Equity Grant Plan")

(i) The NED Equity Grant Plan was approved and adopted by the members at the Annual General Meeting of the Company held in April 2009. The purpose of the NED Equity Grant Plan is to give recognition to non-executive directors of the Company who have contributed to the Company and its subsidiaries.

(ii) The ERCC may extend an offer to participate in the NED Equity Grant Plan to non-executive directors of the Company as the ERCC may select in its absolute discretion. Offers to participate in the NED Equity Grant Plan have been extended to all of our current non-executive directors. An offer to participate in the NED Equity Grant Plan is not transferable.

(iii) Subject to certain rules of the NED Equity Grant Plan including consequences arising from cessation of a directorship and change of control of the Company, determination of the number of ordinary shares of the Company issuable under the NED Equity Grant Plan shall occur on or after 31 December 2011 and be determined by the ERCC, subject to the achievement by the Company of certain economic profits targets over the relevant performance period set by the ERCC as well as any other criteria and considerations deemed appropriate by the ERCC.

(iv) The maximum number of the Company's ordinary shares which could be issued under the NED Equity Grant Plan on any date when added to the total number of new ordinary shares issued and issuable under the NED Equity Grant Plan, shall not exceed 0.45% of the total number of the Company's outstanding ordinary shares.

(v) Since the commencement of the NED Equity Grant Plan to the financial year ended 26 December 2010, no participant has been awarded shares under the NED Equity Grant Plan.

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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 26 December 2010

Audit Committee

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

R. Douglas Norby (Chairman)
Teng Cheong Kwee
Tokumasa Yasui

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

Charles R. Wofford
Chairman

Tan Lay Koon
President and Chief Executive Officer

Singapore
25 February 2011

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS
For the financial year ended 26 December 2010

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 38 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company at 26 December 2010, 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

Charles R. Wofford
Chairman

Tan Lay Koon
President and Chief Executive Officer

Singapore
25 February 2011

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 38 to 95, which comprise the Consolidated Statement of Financial Position of the Group and the Unconsolidated Statement of Financial Position of the Company as at 26 December 2010, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated 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 that 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 controls 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 controls. 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 Unconsolidated Statement of Financial Position 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 26 December 2010, and 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 Certified Public Accountants

Singapore, 25 February 2011

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
ASSETS				
Current assets:				
Cash and cash equivalents	5	196,395	288,683	295,916
Financial assets, available-for-sale	6	88,642	62,512	41,314
Accounts receivable, net	7	230,777	208,766	139,520
Short-term amounts due from related parties	29	17,105	20,895	10,791
Other receivables	8	9,435	11,555	8,357
Inventories	9	69,791	61,859	60,717
Prepaid expenses and other current assets		17,227	14,684	9,999
Total current assets		629,372	668,954	566,614
Non-current assets:				
Financial assets, available-for-sale	6	16,646	16,929	15,587
Long-term amounts due from related parties	29	–	–	13,726
Property, plant and equipment, net	10	1,123,809	1,115,497	1,216,342
Investment in associate	11	8,104	7,743	9,001
Intangible assets	12	38,857	39,993	44,762
Goodwill	13	430,134	430,134	430,134
Long-term restricted cash		416	384	1,012
Deferred tax assets	15	–	599	2,768
Prepaid expenses and other non-current assets		2,578	5,386	11,098
Total non-current assets		1,620,544	1,616,665	1,744,430
Total assets		2,249,916	2,285,619	2,311,044
LIABILITIES				
Current liabilities:				
Accounts and other payable		151,473	133,532	118,227
Payables related to property, plant and equipment purchases		42,734	49,172	30,704
Accrued operating expenses	14	113,584	96,646	113,439
Income taxes payable		12,385	2,380	3,379
Short-term borrowings	16	61,768	224,786	76,953
Short-term amounts due to related parties	29	22	17	1,388
Total current liabilities		381,966	506,533	344,090
Non-current liabilities:				
Long-term borrowings	16	782,434	233,181	396,500
Deferred tax liabilities	15	44,335	28,484	56,299
Other non-current liabilities	18	13,467	14,873	27,454
Total non-current liabilities		840,236	276,538	480,253
Total liabilities		1,222,202	783,071	824,343
EQUITY				
Share capital	23	873,666	1,473,426	1,473,088
Retained earnings		84,910	(23,068)	(33,121)
Other reserves	24	(278)	(6,687)	(12,308)
Equity attributable to equity holders of STATS ChipPAC Ltd.		958,298	1,443,671	1,427,659
Non-controlling interest		69,416	58,877	59,042
Total equity		1,027,714	1,502,548	1,486,701
Total liabilities and equity		2,249,916	2,285,619	2,311,044

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 26 December 2010 $'000	Year Ended 27 December 2009 $'000
Net revenues		1,677,834	1,325,685
Cost of revenues		(1,337,950)	(1,117,308)
Gross profit		339,884	208,377
Operating expenses:			
Selling, general and administrative		98,744	95,516
Research and development		47,462	43,358
Tender offer expense		3,107	-
Restructuring charges	26	1,421	16,072
Write-off of debt issuance costs		1,970	-
Total operating expenses		152,704	154,946
Operating income		187,180	53,431
Other income (expense), net:			
Interest income		2,328	2,169
Interest expense		(43,460)	(31,056)
Foreign currency exchange gain (loss)		(2,587)	(6,469)
Share of profit (loss) of associate		465	(1,321)
Other non-operating income (expense), net	21	(1,601)	(2,016)
Total other expense, net		(44,855)	(38,693)
Income before income taxes		142,325	14,738
Income tax expense	15	(26,977)	(3,712)
Net income for the year		115,348	11,026
Less: Net income attributable to the non-controlling interest		(7,370)	(973)
Net income attributable to STATS ChipPAC Ltd.		107,978	10,053
Net income per ordinary share attributable to STATS ChipPAC Ltd.:	22		
– Basic		$ 0.05	$ 0.00
– Diluted		$ 0.05	$ 0.00

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 26 December 2010 $'000	Year Ended 27 December 2009 $'000
Net income for the year		115,348	11,026
Other comprehensive income			
Available-for-sale financial assets	24	220	839
Cash flow hedges	24	797	3,433
Foreign currency translation adjustment	24	10,446	2,661
Comprehensive income, net of tax		11,463	6,933
Total comprehensive income, net of tax		126,811	17,959
Total comprehensive income, net of tax attributable to:			
STATS ChipPAC Ltd.		114,387	15,674
Non-controlling interest		12,424	2,285
		126,811	17,959

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	Fair Value Reserve $'000	Total Equity Attributable to STATS ChipPAC Ltd. $'000	Noncontrolling Interest $'000	Total Equity $'000
2010								
Balances at 28 December 2009	1,473,426	(23,068)	(6,240)	(680)	233	1,443,671	58,877	1,502,548
Total comprehensive income (loss), net of tax	–	107,978	5,392	797	220	114,387	12,424	126,811
Share-based compensation	1	–	–	–	–	1	–	1
Effect of subsidiary's equity transaction	239	–	–	–	–	239	(181)	58
Capital reduction	(600,000)	–	–	–	–	(600,000)	–	(600,000)
Dividends paid by subsidiary	–	–	–	–	–		(1,704)	(1,704)
Balance at 26 December 2010	873,666	84,910	(848)	117	453	958,298	69,416	1,027,714
2009								
Balances at 29 December 2008	1,473,088	(33,121)	(7,589)	(4,113)	(606)	1,427,659	59,042	1,486,701
Total comprehensive income (loss), net of tax	–	10,053	1,349	3,433	839	15,674	2,285	17,959
Share-based compensation	4	–	–	–	–	4	–	4
Effect of subsidiary's equity transaction	334	–	–	–	–	334	(202)	132
Dividends paid by subsidiary	–	–	–	–	–	–	(2,248)	(2,248)
Balance at 27 December 2009	1,473,426	(23,068)	(6,240)	(680)	233	1,443,671	58,877	1,502,548

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Cash Flows From Operating Activities		
Net income for the year	115,348	11,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Income tax expense	26,977	3,712
Depreciation and amortisation	277,717	266,630
Loss (gain) on sale of property, plant and equipment	(519)	1,212
Loss (gain) from repurchase of senior notes and tender offer expenses	4,185	(276)
Write-off of debt issuance costs	1,970	–
Foreign currency exchange loss	2,605	965
Share-based compensation expense	146	501
Share of loss (profit) of associate	(465)	1,321
Interest income	(2,328)	(2,169)
Interest expense	43,460	31,056
Others	680	1,414
Changes in working capital:		
Accounts receivable	(22,011)	(69,246)
Amounts due from related parties	3,790	3,622
Inventories	(7,932)	(1,142)
Other receivables, prepaid expense and other assets	(262)	(2,848)
Accounts payable, accrued operating expenses and other payables	23,122	(32,640)
Amounts due to related parties	5	(1,371)
Income tax received (paid)	(785)	(10,735)
Net cash provided by operating activities	465,703	201,032
Cash Flows From Investing Activities		
Proceeds from sales of financial assets, available-for-sale	–	15,663
Proceeds from maturity of financial assets, available-for-sale	6,411	31,736
Purchases of financial assets, available-for-sale	(25,707)	(67,634)
Acquisition of intangible assets	(6,760)	(5,032)
Purchases of property, plant and equipment	(283,114)	(140,754)
Interest received	2,278	2,270
Others, net	2,110	1,539
Net cash used in investing activities	(304,782)	(162,212)
Cash Flows From Financing Activities		
Repayment of short-term debts	(56,000)	(5,035)
Repayment of long-term debts and promissory notes	(94,443)	(38,709)
Proceeds from issuance of senior notes, net of expenses	589,745	–
Repurchase and redemption of senior notes	(366,107)	(2,000)
Proceeds from bank borrowings, net of expenses	303,621	29,840
Capital reduction	(600,000)	–
Distribution to non-controlling interest in subsidiary	(1,681)	(2,194)
Grants received	197	–
Interest paid	(28,271)	(28,430)
Decrease (increase) in restricted cash	(32)	603
Net cash used in financing activities	(252,971)	(45,925)
Net decrease in cash and cash equivalents	(92,050)	(7,105)
Effect of exchange rate changes on cash and cash equivalents	(238)	(128)
Cash and cash equivalents at beginning of the year	288,683	295,916
Cash and cash equivalents at end of the year	196,395	288,683

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, Thailand 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, South Korea, Japan, China, Singapore, Malaysia, Taiwan and the Netherlands.

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").

This is STATS ChipPAC's first financial statements prepared in accordance with FRS. The financial statements of STATS ChipPAC had previously been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP"). The 2010 financial statements include an opening statement of financial position as at 29 December 2008, the date at which the impact of FRS transition were recorded against equity, in accordance with the provisions of FRS 101 "First-time Adoption of Financial Reporting Standards". A detailed reconciliation of the financial statements prepared under US GAAP and the comparative 2010 FRS financial information is presented in Note 33.

The financial statements for the year ended 26 December 2010 (including comparatives) were approved and authorised for issue by the board of directors on 25 February 2011.

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 and in preparing an opening FRS statement of financial position as at 29 December 2008 for the purpose of transition from US GAAP to FRS.

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 27 December 2010 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 32 Financial Instruments: Presentation – Classification of rights issues (effective for annual periods beginning on or after 1 February 2010)
- Amendments to INT FRS 114 – Prepayments of a minimum funding requirement (effective for annual periods commencing on or after 1 January 2011)
- INT FRS 119 Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group does not expect the adoption of the above FRSs, INT 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 December 31. STATS ChipPAC's fiscal quarters end on a Sunday and are generally thirteen weeks in length. Fiscal year 2010, a 52-week year, ended on 26 December 2010, fiscal year 2009, a 52-week year, ended on 27 December 2009, and fiscal year 2008, a 52-week year, ended on 28 December 2008. 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) Associates

Investments in entities in which the Group can exercise significant influence, but owns less than a majority equity interest, are initially recognised at cost and subsequently accounted for using the equity method of accounting, less impairment losses, if any. Significant influence is assumed to exist where the Group holds, directly or indirectly, between 20% to 50% voting interest in an entity, unless it can be clearly demonstrated that this is not the case.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associates, when the Group's interest in such entities is disposed of.

(f) 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.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(g) 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.

(h) 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.

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.

(i) 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.

(j) 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.

(k) 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 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.

(l) 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.

(m) 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.

(n) 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 in the designated quarters for its different cash-generating-units ("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.

(o) 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

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(p) 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:

Leashold 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.

(q) 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.

(r) 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.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(s) 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.

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.

(t) Equity Instrument

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

(u) 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.

(v) 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.

(w) 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.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

(cc) 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.

(dd) 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. The Group has identified its individual geographic operating locations as its operating segments. All material geographical operating locations qualify for aggregation due to similarities in economic characteristics, nature of services, market base and production process. Accordingly, the operating segments have been aggregated into one reportable segment.

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Cash at banks and on hand	143,927	124,734	88,800
Cash equivalents			
Bank fixed deposits	31,350	100,361	141,924
Money market funds	21,118	63,588	65,192
	196,395	288,683	295,916

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, Thailand, 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. Thai, 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 Thailand, South Korea, China, Taiwan and Malaysia.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Financial Assets, Available-for-Sale

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Quoted marketable securities			
- Corporate notes	16,646	16,929	15,587
	16,646	16,929	15,587
Unquoted marketable securities			
- Bank fixed deposits	88,642	62,512	41,314
	88,642	62,512	41,314
Total	105,288	79,441	56,901

The corporate notes are publicly traded, and fair values have been estimated by reference to their quoted bid prices at their reporting date. Bank fixed deposits are made for periods of between three months and one year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

	Year ended	
	26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	79,441	56,901
Currency translation differences	6,331	953
Additions	25,707	68,137
Disposals	(6,411)	(47,389)
Fair value gains recognised in other comprehensive income (Note 24 (b))	220	839
End of financial year	105,288	79,441
Less: current amount	88,642	62,512
Non-current amount	16,646	16,929

7. Accounts Receivable

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Accounts receivable – third parties, net of allowance for sales returns	232,045	211,370	143,794
Less: Allowance for impairment	(1,268)	(2,604)	(4,274)
Accounts receivable, net	230,777	208,766	139,520

Accounts receivable with a carrying amount of $196.3 million (2009 and 2008: $nil) have been pledged as security against bank borrowings of the Group.

8. Other Receivables

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Deposits and staff advances	906	1,294	911
Taxes receivable	3,921	1,001	833
Grants receivables	130	421	117
Other receivables	4,478	8,839	6,496
	9,435	11,555	8,357

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Inventories

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Raw materials	56,829	49,165	50,775
Work-in-progress	12,105	11,379	8,328
Finished goods	857	1,315	1,614
	69,791	61,859	60,717

Inventories recognised in cost of revenues during 2010 amounted to $646.3 million (2009: $521.3 million).

10. Property, Plant and Equipment

	Freehold Land $'000	Leasehold Land and Land Use Rights $'000	Buildings, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost					
Balances at 28 December 2009	10,833	19,864	278,492	2,255,290	2,564,479
Additions			17,764	258,912	276,676
Disposals/write-off			(868)	(38,392)	(39,260)
Currency translation differences	490		1,595	13,193	15,278
Balance at 26 December 2010	11,323	19,864	296,983	2,489,003	2,817,173
Accumulated depreciation					
Balances at 28 December 2009	-	3,538	104,185	1,341,259	1,448,982
Additions	-	411	17,020	252,622	270,053
Disposals/write-off	-	-	(871)	(35,792)	(36,663)
Currency translation differences	-	-	1,071	9,921	10,992
Balance at 26 December 2010	-	3,949	121,405	1,568,010	1,693,364
Net book value at 26 December 2010	11,323	15,915	175,578	920,993	1,123,809

	Freehold Land $'000	Leasehold Land and Land Use Rights $'000	Buildings, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost					
Balances at 29 December 2008	10,703	19,864	269,046	2,216,667	2,516,280
Additions	-	-	9,492	149,730	159,222
Disposals/write-off	-	-	(468)	(114,295)	(114,763)
Currency translation differences	130	-	422	3,188	3,740
Balance at 27 December 2009	10,833	19,864	278,492	2,255,290	2,564,479
Accumulated depreciation					
Balances at 29 December 2008	-	3,126	88,404	1,208,408	1,299,938
Additions	-	412	16,036	240,604	257,052
Disposals/write-off	-	-	(522)	(110,059)	(110,581)
Currency translation differences	-	-	267	2,306	2,573
Balance at 27 December 2009	-	3,538	104,185	1,341,259	1,448,982
Net book value at 27 December 2009	10,833	16,326	174,307	914,031	1,115,497

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. No impairment charge was incurred in 2010, 2009 and date of transition to FRS.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, Incheon City, South Korea and Pathumthani, Thailand are located on freehold land.

11. Investment in Associate

The Company has a 25% voting and equity interest in Micro Assembly Technologies Limited ("MAT"). Wuxi CR Micro-Assembly Technology Ltd. ("ANST"), which principal activities is in the assembly and test services in Wuxi, China, is a wholly-owned subsidiary of MAT.

	Year ended	
	26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	7,743	9,001
Currency translation differences	(104)	63
Share of profit (loss)	465	(1,321)
End of financial year	8,104	7,743

The shares of MAT are not publicly listed on a stock exchange and published price quote is not available. The summarised gross financial information of the associate is summarised as follows:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Assets	106,468	106,473	110,266
Liabilities	66,295	69,138	67,784
Revenue	100,889	72,593	73,704
Net profit (loss)	1,862	(5,284)	(5,749)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associate.

12. Intangible Assets

	Tradenames $'000	Technology and Intellectual Property $'000	Customer Relationships $'000	Patent Costs, Software, Licenses and Others $'000	Total $'000
Cost					
Balances at 28 December 2009	7,700	32,000	99,300	47,905	186,905
Additions	-	-	-	6,760	6,760
Disposals/write-off	-	-	-	(146)	(146)
Currency translation differences	-	-	-	192	192
Balance at 26 December 2010	7,700	32,000	99,300	54,711	193,711
Accumulated amortisation					
Balances at 28 December 2009	5,958	17,333	99,300	24,321	146,912
Additions	1,100	3,200	-	3,364	7,664
Disposals/write-off	-	-	-	(71)	(71)
Currency translation differences	-	-	-	349	349
Balance at 26 December 2010	7,058	20,533	99,300	27,963	154,854
Net book value at 26 December 2010	642	11,467	-	26,748	38,857

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Tradenames $'000	Technology and Intellectual Property $'000	Customer Relationships $'000	Patent Costs, Software, Licenses and Others $'000	Total $'000
Cost					
Balances at 29 December 2008	7,700	32,000	99,300	43,990	182,990
Additions	-	-	-	5,032	5,032
Disposals/write-off	-	-	-	(1,152)	(1,152)
Currency translation differences	-	-	-	35	35
Balance at 27 December 2009	7,700	32,000	99,300	47,905	186,905
Accumulated amortisation					
Balances at 29 December 2008	4,858	14,133	99,300	19,937	138,228
Additions	1,100	3,200	-	5,278	9,578
Disposals/write-off	-	-	-	(916)	(916)
Currency translation differences	-	-	-	22	22
Balance at 27 December 2009	5,958	17,333	99,300	24,321	146,912
Net book value at 27 December 2009	1,742	14,667	-	23,584	39,993

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

	26 December 2010 $'000	27 December 2009 $'000
Cost of sales	1,382	1,545
Selling, general and administrative expenses	2,405	3,968
Research and development expenses	3,877	4,065
	7,664	9,578

13. Goodwill

The carrying amounts of goodwill result from the acquisition of STATS ChipPAC Taiwan Semiconductor Corporation in 2001, ChipPAC, Inc. in 2004 and STATS ChipPAC (Thailand) Limited in 2007. There were no changes in the net carrying amount of goodwill in 2010, 2009 and date of transition to FRS.

Goodwill is allocated to the following cash-generating units, comprising locations expected to benefit from the synergies of the business combinations in which the goodwill arises:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Korea	247,747	247,747	247,747
China	79,305	79,305	79,305
Malaysia	77,214	77,214	77,214
Thailand	24,547	24,547	24,547
Others	1,321	1,321	1,321
	430,134	430,134	430,134

In 2010, 2009 and 2008, the Group performed its annual test for impairment and determined that the recoverable amount of the cash generating units exceeds their respective carrying values, and therefore goodwill was not impaired.

The recoverable amounts of the cash-generating units 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 and discount rates as stated below. Key assumptions used for value-in-use calculation were as follows:

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Year ended		
	26 December 2010	27 December 2009	28 December 2008
Terminal growth rates	3%	4%	4%
Discount rates	16% - 22%	13% - 18%	13% - 18%

As the recoverable amount was significantly higher than carrying amount of the cash-generating units, 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.

14. Accrued Operating Expenses

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Staff costs and accrued restructuring charges	55,322	42,304	49,224
Purchase of raw materials	9,235	12,993	4,636
Maintenance fees, license fees and royalties	3,802	3,488	5,025
Interest expense	17,230	7,339	7,536
Accruals for vacation liability	2,964	1,859	4,697
Others accrued operating expenses	25,031	28,663	42,321
	113,584	96,646	113,439

15. Income Taxes

Income tax expense consists of the following:

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Current tax:		
Singapore	—	—
Foreign	10,445	1,589
Total current tax	10,445	1,589
Deferred tax:		
Singapore	5,110	998
Foreign	11,422	1,125
Total deferred tax	16,532	2,123
	26,977	3,712

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

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Income tax expense computed at Singapore statutory rate of 17.0% (2009: 17.0%)	24,196	2,505
Non-deductible expenses	5,152	8,944
Non-taxable income, including income exemption	(8,416)	(13,193)
Differences in tax rates, including undistributed earnings	14,217	10,351
Effect of recognising deferred tax assets at concessionary tax rate and tax credits	(1,768)	(8,851)
Effect of change in foreign statutory tax rate on deferred tax assets	(860)	3,142
Taxable foreign exchange adjustment and foreign net operating loss	(2,158)	7,101
Unrecognised tax benefits and other items, net	(3,386)	(6,287)
Income tax expense	26,977	3,712

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Fair value gains and reclassification adjustments on cash flow hedges	22	1,253
Other comprehensive income	22	1,253

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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Deferred tax assets:			
Operating loss carryforwards	990	3,030	1,214
Investment, and research and development tax credits	11,687	9,152	3,960
Others	3,545	8,740	12,615
	16,222	20,922	17,789
Deferred tax liabilities:			
Property, plant and equipment	34,881	32,390	27,212
Allowances and reserves	7,907	1,669	1,988
Uncertain tax position and others	17,769	14,748	42,120
	60,557	48,807	71,320
Net deferred tax assets (liabilities)	(44,335)	(27,885)	(53,531)

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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Deferred tax assets:			
To be recovered within one year	—	—	—
To be recovered after one year	—	599	2,768
	—	599	2,768
Deferred tax liabilities:			
To be settled within one year	2,677	—	29,936
To be settled after one year	41,658	28,484	26,363
	44,335	28,484	56,299

In 2010, 2009 and 2008, the Group had approximately $103.3 million, $103.4 million and $122.1 million, respectively, of unrecognised tax losses available to offset against future taxable income, certain amounts of which will expire in varying amounts from 2011 to 2026.

In 2010, 2009 and 2008, the Group had approximately aggregate $437.5 million, $489.7 million and $503.8 million of unrecognised research and development, unutilised capital allowances, investment tax credits and reinvestment allowance, respectively, which can be used to offset income tax payable in future years. Certain credits will expire in varying amounts from 2011 through 2015.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In 2008, the Singapore Economic Development Board ("EDB") offered the Company a five year tax incentive for its Singapore operations commencing 1 July 2007, 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 Group's subsidiary in China, STATS ChipPAC Shanghai Co., Ltd., qualifies for a tax holiday from State Department of China under the foreign investment policy. STATS ChipPAC Shanghai Co., Ltd. is exempted from tax for two years followed by three years of 50% tax exemption, commencing from the first profitable year of operations (2006). This tax holiday expired on 31 December 2010.

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 28 December 2009	3,030	9,152	8,740	20,922
Currency translation differences	—	124	120	244
(Charges) credits to:				
Income Statement	(2,040)	2,411	(5,293)	(4,922)
Hedging Reserve	—	—	(22)	(22)
Balance at 26 December 2010	990	11,687	3,545	16,222
Balances at 29 December 2008	1,214	3,960	12,615	17,789
Currency translation differences	—	—	1,253	1,253
(Charges) credits to:				
Income Statement	1,816	5,192	(3,875)	3,133
Hedging Reserve	—	—	(1,253)	(1,253)
Balance at 28 December 2009	3,030	9,152	8,740	20,922

Deferred tax liabilities

	Property, Plant and Equipment $'000	Allowances and Reserves $'000	Uncertain Tax Position and Others $'000	Total $'000
Balances at 28 December 2009	32,390	1,669	14,748	48,807
Currency translation differences	140	—	—	140
Charges (credits) to Income Statement	2,351	6,238	3,021	11,610
Balance at 26 December 2010	34,881	7,907	17,769	60,557
Balances at 29 December 2008	27,212	1,988	42,120	71,320
Currency translation differences	—	—	1,989	1,989
Charges (credits) to Income Statement	5,178	(319)	397	5,256
Settlement with taxing authorities	—	—	(29,758)	(29,758)
Balance at 28 December 2009	32,390	1,669	14,748	48,807

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Borrowings

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
7.5% senior notes due 2015	590,144	-	-
Senior credit facility	226,789	-	-
6.75% senior notes due 2011	-	213,000	215,000
7.5% senior notes due 2010	-	150,000	150,000
6.0% promissory note	6,800	16,800	26,800
U.S. dollars bank loan at floating rates	6,000	56,000	56,600
Taiwan dollar loans and commercial papers at floating rates	14,469	22,167	25,053
Total borrowings	844,202	457,967	473,453
Less: borrowings repayable within one year	61,768	224,786	76,953
Long-term borrowings	782,434	233,181	396,500

On 12 August 2010, the Company issued $600.0 million of 7.5% Senior Notes due 2015. The Company incurred deferred debt issuance cost of approximately $10.3 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 existing subsidiaries (except STATS ChipPAC Shanghai Co., Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation) and future restricted subsidiaries (except where prohibited by local law). These notes will mature on 12 August 2015, bearing interest at the rate of 7.5% per annum payable semi-annually on 12 February and 12 August of each year, commencing 12 February 2011. Prior to 12 August 2013, 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 12 August 2013, 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 12 August 2013, the Company may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon a change of control, the Company will be required to offer to purchase these notes at 101% of its principal amount plus accrued and unpaid interest. The Group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions, which, among other things, limit their ability to incur additional indebtedness, prepay subordinated debts, make investments, declare or pay dividends, enter into transactions with affiliates, sell assets, enter into sale and leaseback transactions, incur liens and encumbrances and enter into merger and consolidations.

In May 2010, the Company obtained a term loan facility of $360.0 million with a syndicate of lenders. The credit facility was guaranteed by all of the Company's material wholly-owned subsidiaries other than the China subsidiaries and was scheduled to mature in May 2013. 5% of the principal amount of the credit facility was repayable on each of the first two semiannual payment dates, 10% of the principal amount of the credit facility on the third semiannual payment date, 15% of the credit facility on each of the fourth and fifth semiannual payment dates, and the remaining 50% of the principal amount of the credit facility on the ninth (and final) semiannual payment date. The interest rate payable under the credit facility was determined by reference to LIBOR plus an applicable margin based on our then-applicable leverage ratio. The agreement governing the credit facility contains provisions relating to optional prepayment, mandatory prepayment, representations, affirmative and negative covenants and events of default. The loan drawdown was required to be made within six months from the date of the facility agreement but no later than 15 November 2010. The Company incurred deferred debt issuance cost of approximately $12.4 million in syndication, legal and other costs in 2010. On 19 July 2010, the Company made a drawdown of $150.0 million from the credit facility to finance the redemption upon maturity of the 7.5% Senior Notes due 2010. On 12 August 2010, the Company further made a drawdown of $160.0 million from the credit facility to finance the cash tender offer and consent solicitation for the 6.75% Senior Notes due 2011 (as described below).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

On 16 November 2010, the Company made the first installment payment of $15.5 million in accordance with the repayment schedule under the term loan facility and on 16 December 2010, the Company made a voluntary repayment of $60.0 million under this facility. As of 26 December 2010, $234.5 million of loan was outstanding under the senior credit facility. The Company incurred a write-off of debt issuance cost of $2.0 million in the financial year ended 26 December 2010 in connection with the voluntary repayment of $60.0 million under this facility. The loans bore interest at floating rate of 3.5% as at 26 December 2010. The Company entered into interest rate swap contracts for principal amount of $170.0 million to swap floating-to-fixed to partially protect the Company from fluctuations in interest rates. On 18 January 2011, the Company fully repaid the $234.5 million principal outstanding as of 26 December 2010. The Company funded the repayment from the net proceeds of the $200.0 million of 5.375% Senior Notes due 2016 issued on 12 January 2011 (see note 32) together with cash on hand.

Under the terms of the credit facility, in the event the Company makes a cash distribution pursuant to a capital reduction pursuant to the Companies Act, Chapter 50 of Singapore, the Company and its subsidiaries, STATS ChipPAC (BVI) Limited and STATS ChipPAC (Thailand) Ltd., would each be required to pledge it's respective accounts receivables in favor of the lenders as security for the credit facility within specified time periods following the completion of such cash distribution. The Company obtained shareholders' approval at an extraordinary general meeting for a capital reduction, which, upon the lodgment of the Order of Court from the Singapore High Court confirming the capital reduction, became effective on 20 October 2010. The Company effected the cash distribution pursuant to the capital reduction on 29 October 2010 and thereafter effected the pledge of accounts receivables required under the credit facility.

On 18 November 2004, the Company issued $215.0 million of 6.75% Senior Notes due 2011 for net proceeds of $210.5 million. The senior notes bore interest at the rate of 6.75% per annum payable semi-annually on 15 May and 15 November of each year. In March 2009, the Company repurchased $2.0 million aggregate principal amount of its $215.0 million of 6.75% Senior Notes due 2011 for $1.7 million (excluding interest). The Company financed the repurchase with cash on hand. As a result, the Company recognised a gain on repurchase of senior notes of $0.3 million in 2009. In July 2010, the Company commenced a cash tender offer and consent solicitation in respect of any and all of its then outstanding $213.0 million of 6.75% Senior Notes due 2011. On 27 August 2010, upon the expiry of the cash tender offer and consent solicitation, an aggregate principal amount of $164.9 million, representing 77.4%, of the $213.0 million 6.75% Senior Notes due 2011 were validly tendered. Tender offer expense of $3.1 million was recorded in 2010 for the purchase of all the validly tendered senior notes. The Company financed the cash tender offer and consent solicitation from the drawdown of $160.0 million from the $360.0 million senior credit facility obtained in May 2010 and cash on hand. On 15 November 2010, the Company redeemed the remaining outstanding $48.1 million of the 6.75% Senior Notes due 2011 at a redemption price of 100.0% of the principal amount plus accrued and unpaid interest up to the redemption date. The Company financed the redemption with cash on hand.

On 19 July 2005, the Company issued $150.0 million of 7.5% Senior Notes due 2010 for net proceeds of $146.5 million. The senior notes bore interest at the rate of 7.5% per annum payable semi-annually on 19 January and 19 July of each year. At the maturity date on 19 July 2010, the Company redeemed the $150.0 million aggregate principal and financed the redemption at a redemption price of 100.0% of the principal amount with a drawdown of $150.0 million from the $360.0 million senior credit facility obtained in May 2010.

On 2 October 2007, the Group issued a $50.0 million promissory note carrying interest, payable annually, of 6.0% per annum to LSI Corporation ("LSI") in connection with the acquisition of an assembly and test operations in Thailand. The amount payable to LSI after contractual netting of certain receivables from LSI of $3.2 million amounted to $46.8 million. The promissory note is payable over 4 yearly installments of $20.0 million, $10.0 million, $10.0 million and $6.8 million over the next 4 years. The first, second and third installment of $20.0 million, $10.0 million and $10.0 million, respectively, were paid to LSI in 2008, 2009 and 2010. As of 26 December 2010, the amount payable to LSI under the promissory note was $6.8 million.

STATS ChipPAC Taiwan Semiconductor Corporation has a NT$3.6 billion floating rate New Taiwan dollar term loan facility (approximately $121.6 million based on exchange rate as of 26 December 2010) with a syndicate of lenders, with Taishin Bank as the sponsor bank. The loan drawdowns must be made within 24 months from the date of first drawdown, which took place in February 2007. Upon expiry of the 24 months period in February 2009, this facility ceased to be available for further drawdown. STATS ChipPAC Taiwan Semiconductor Corporation has drawn down NT$0.7 billion (approximately $23.6 million based on exchange rate as of 26 December 2010) under the term loan facility. The principal of and interest on the loan is payable

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

in nine quarterly installments commencing February 2009 (being 24 months from first draw down date) with the first eight quarterly installments each repaying 11% of the principal and the last quarterly installment repaying 12% of the principal. In May 2009, STATS ChipPAC Taiwan Semiconductor Corporation refinanced the outstanding NT$0.6 billion (approximately $20.3 million based on exchange rate as of 26 December 2010) loan with new credit facilities of NT$873.0 million (approximately $29.5 million as of 26 December 2010) obtained from various bank and financial institutions. In the first quarter of 2010, STATS ChipPAC Taiwan Semiconductor Corporation early repaid NT$200.0 million (approximately $6.8 million based on exchange rate as of 26 December 2010) of loan outstanding under these credit facilities. As of 26 December 2010, NT$373.0 million (approximately $12.6 million based on exchange rate as of 26 December 2010) of loan under these credit facilities was outstanding. These credit facilities have floating interest rates which, as of 26 December 2010, ranged from 1.6% to 1.8% per annum and maturities ranging from May 2011 to May 2012.

Additionally, STATS ChipPAC Taiwan Semiconductor Corporation has a NT$0.3 billion (approximately $10.1 million as of 26 December 2010) credit facility with Mega Bank of which NT$59.6 million (approximately $2.0 million based on exchange rate as of 26 December 2010) borrowing was outstanding as of 26 December 2010. This credit facility has a floating interest rate which, as of 26 December 2010 was 1.8% per annum and expires in August 2012. This loan is secured by a pledge of land and building with a combined net book value of $6.6 million as of 26 December 2010.

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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
6 months or less	247,258	78,167	81,653
6 - 12 months	6,800	150,000	-
1 - 5 years	590,144	229,800	391,800
	844,202	457,967	473,453

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
7.5% senior notes due 2015	634,425	-	-
Senior credit facility	226,789	-	-
6.75% senior notes due 2011	-	209,805	195,387
7.5% senior notes due 2010	-	153,375	144,994
6.0% promissory note	6,800	16,800	26,800
U.S. dollars bank loan at floating rates	6,000	56,000	56,600
Taiwan dollar loans and commercial papers at floating rates	14,469	22,168	25,053
	888,483	458,148	448,834

The fair values of the senior notes are determined from the trading market prices of the senior notes as of each balance sheet dates. The senior credit facility, promissory notes, U.S. dollars bank loan at floating rates and Taiwan dollar loans and commercial papers at floating rates are assumed to approximate its 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 $514.3 million, of which $65.3 million of credit facilities and $41.1 million of other banking facilities were available on 26 December 2010.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Derivative Financial Instruments

	26 December 2010			27 December 2009			28 December 2008		
	Contract Notional Amount $'000	Asset $'000	Liability $'000	Contract Notional Amount $'000	Asset $'000	Liability $'000	Contract Notional Amount $'000	Asset $'000	Liability $'000
Cash-flow hedges									
- Interest rate swaps	170,000	-	240	-	-	-	-	-	-
- Currency forwards	316,890	1,101	744	121,591	-	680	59,484	-	7,078
Total		1,101	984		-	680		-	7,078

The Group enters into forward contract 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.

Interest rate swaps are entered into to hedge floating interest payments on borrowings on the senior credit facility. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to income statement at maturity.

18. Other Non-Current Liabilities

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Accrued retirement and severance benefits	10,838	11,662	22,908
Others	2,629	3,211	4,546
	13,467	14,873	27,454

Changes in accrued retirement and severance benefits in 2010 and 2009 are as follows:

	26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	13,101	23,083
Provision for retirement and severance benefits	1,575	4,394
Severance payments	(2,100)	(14,934)
Foreign currency loss	1,085	558
Ending of financial year	13,661	13,101
Payments on deposits with Korean National Pension Fund	(130)	(130)
Plan assets	(2,693)	(1,309)
Ending, net of payments on deposits	10,838	11,662

19. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Employee Compensation

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Wages and salaries	255,408	227,511
Employer's contribution to defined contribution plans including Central Provident Fund	39,341	15,766
Other benefits	26,285	19,052
Share option expense	146	501
	321,180	262,830

21. Other Income (Expense), net

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Gain on sale of financial assets, available-for-sale	2	10
(Loss) gain from repurchase of senior notes	(1,078)	276
Other expense, net	(525)	(2,302)
	(1,601)	(2,016)

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.

	Year Ended	
	26 December 2010	27 December 2009
Net profit attributable to equity holders of STATS ChipPAC Ltd. ($'000)	107,978	10,053
Weighted average number of ordinary shares outstanding (basic) ('000)	2,202,218	2,202,218
Weighted average dilutive shares from share plans ('000)	16	12
Weighted average number of ordinary shares and equivalent ordinary shares outstanding (diluted) ('000)	2,202,234	2,202,230
Net income per ordinary share attributable to equity holders of STATS ChipPAC Ltd.		
- Basic	$ 0.05	$ 0.00
- Diluted	$ 0.05	$ 0.00

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The excluded potentially dilutive securities outstanding are as follows:

	26 December 2010 ('000)	27 December 2009 ('000)
Share plans	7,813	12,471

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 (2009: 2,202,218,293) ordinary shares pursuant to the Singapore Companies Act (Cap 50) is S$2,343.9 million as of 26 December 2010. 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 2009, the Company obtained shareholders' approval for the adoption of the STATS ChipPAC Ltd. Equity Grant Plan for Non-Executive Directors (the "NED Equity Grant Plan") and the STATS ChipPAC Ltd. Performance Share Plan 2009 (the "PSP 2009").

Subject to certain rules of the NED Equity Grant Plan including consequences arising from cessation of a directorship and change of control of the Company, the number of the Company's ordinary shares deliverable under the NED Equity Grant Plan shall occur on or after 31 December 2011. The number of the Company's ordinary shares to be issued to each participant of the NED Equity Grant Plan shall be determined by the Executive Resource and Compensation Committee ("ERCC") and is subject to the achievement by the Group of the prescribed performance targets over the relevant performance period and any other criteria and considerations deemed appropriate by the ERCC.

The maximum number of the Company's ordinary shares which could be issued under the NED Equity Grant Plan on any date, when added to the total number of new ordinary shares in the capital of the Company issued and issuable under the NED Equity Grant Plan, shall not exceed 0.45% of the total number of the Company's outstanding ordinary shares.

No participant was awarded shares under the NED Equity Grant Plan in 2009.

Each performance share under the PSP 2009 represents an unfunded and unsecured promise of the Company to issue or transfer ordinary shares of the Company with no exercise or purchase price. Contingent awards of performance shares are granted as the ERCC may, on the recommendation by the management of the Group, determine in its absolute discretion. Subject to certain rules of the PSP 2009 including consequences arising from termination of employment of a participant and change of control of the Company, vesting of the performance shares comprised in outstanding awards shall occur on 31 December 2011. Determination of the number of ordinary shares deliverable with respect to any performance share award is subject to the achievement by the Group of the prescribed performance targets set by the ERCC over the relevant performance period.

The maximum permissible number of ordinary shares of the Group which could be issued pursuant to awards granted under the PSP 2009 on any date, when added to the total number of new ordinary shares in the capital of the Company issued and issuable pursuant to awards granted under the PSP 2009, shall not exceed 5.02% of the total number of the Company's outstanding ordinary shares.

Performance shares contingently awarded under the PSP 2009 are generally not transferable. A grantee of a contingent award of performance shares has no rights as a shareholder with respect to any ordinary shares covered by any contingent award of performance shares until such ordinary shares have been delivered in accordance with the terms of the PSP 2009.

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Since the commencement of the PSP 2009 in 2009, contingent awards aggregating between 34,000,000 and 88,819,964 performance shares have been awarded under the PSP 2009, representing the corresponding number of ordinary shares to be delivered if the performance targets set by the ERCC are achieved.

In 2007, the Company issued Restricted Shares Units ("RSUs") awards pursuant to the Restricted Share Plan ("RSP"). No RSUs, employee share purchase rights or share options had been granted subsequent to 2008 pursuant to the Group's consideration on replacement of its long term compensation strategy.

For share-based awards, the Group recognises compensation expense on a graded vesting basis over the requisite service period of the award. The fair value of the share-based compensation expense was as follows:

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
Cost of revenues	52	190
Selling, general and administrative	79	242
Research and development	15	69
	146	501

In 2010 and 2009, no share-based compensation expense was recognised for the NED Equity Grant Plan and PSP 2009.

The following table summarises share option activity in 2009 and 2010:

	Options ($'000)	Weighted Average Exercise Price Aggregate intrinsic value (in thousands)
Options outstanding at 29 December 2008	14,390	1.83
Lapsed and forfeited	(1,891)	2.00
Options outstanding at 27 December 2009	12,499	1.80
Lapsed and forfeited	(4,657)	2.28
Options outstanding at 26 December 2010	7,842	1.25
Exercisable at 29 December 2008	14,303	1.53
Exercisable at 27 December 2009	12,471	1.50
Exercisable at 26 December 2010	7,842	1.25

The following table summarises information about share options outstanding at 26 December 2010:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding ('000)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable ('000)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.21 to $0.29	28	2.0 years	$0.29	28	2.0 years	$0.29
$0.32 to $0.47	1	0.3 years	$0.46	1	0.3 years	$0.46
$0.53 to $0.89	449	1.9 years	$0.76	449	1.9 years	$0.76
$0.91 to $1.09	1	0.5 years	$1.07	1	0.5 years	$1.07
$1.16 to $1.64	7,363	2.2 years	$1.29	7,363	2.2 years	$1.29
	7,842	2.2 years		7,842	2.2 years	

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The following table summarises information on the RSUs in 2009 and 2010:

	Number outstanding ('000)	Weighted average grant-date fair value
Outstanding as of 29 December 2008	3,564	$0.85
Cancelled	(238)	0.85
Vested	(1,735)	0.85
Outstanding as of 27 December 2009	1,591	$0.85
Cancelled	(6)	$0.85
Vested	(1,585)	$0.85
Outstanding as of 26 December 2010	—	—

In 2010 and 2009, $1.3 million and $1.5 million was paid to the participants of the RSP as settlement in cash of the vested 1.6 million and 1.7 million RSUs, respectively.

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

24. Other Reserves

(a) Composition

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Fair value reserve	453	233	(606)
Hedging reserve	117	(680)	(4,113)
Foreign currency translation reserve	(848)	(6,240)	(7,589)
	(278)	(6,687)	(12,308)

(b) Movement

(i) Fair value reserve

	Year ended 26 December 2010 $'000	Year ended 27 December 2009 $'000
Beginning of financial year	233	(606)
Financial assets, available-for-sale		
Fair value gains (Note 6)	220	839
Tax on fair value changes	-	-
End of financial year	453	233

(ii) Hedging reserve

	Year ended 26 December 2010 $'000	Year ended 27 December 2009 $'000
Beginning of financial year	(680)	(4,113)
Fair value gains (losses)	1,693	(2,819)
Reclassification to Income Statement	(874)	7,505
Tax on fair value changes	(22)	(1,253)
End of financial year	117	(680)

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(iii) Foreign currency translation reserve

	Year ended	
	26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	(6,240)	(7,589)
Net currency translation differences of financial statements of a foreign subsidiary	10,446	2,661
Less: Non-controlling interests	(5,054)	(1,312)
End of financial year	(848)	(6,240)

Other reserves are non-distributable.

25. Commitments and Contingencies

(a) Commitments

As of 26 December 2010, 27 December 2009 and 28 December 2008, unconditional purchase obligations consist of the following:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Capital commitments			
Building, mechanical and electrical installation	959	5,623	2,187
Equipment	49,009	73,253	33,522
Intangible assets	-	97	400
Other commitments			
Inventories	23,188	41,433	27,848

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.

The Group is party to certain royalty and licensing agreements which have anticipated cumulative payments of approximately $43.1 million for 2011 through 2016.

The Group leases certain of its facilities in Singapore, South Korea and the United States under operation 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 2010 and 2009 was $11.8 million and $11.5 million, respectively.

The Group has leased certain plant and equipment under operating leases. These leases extend through 2013. Operating lease rental expenses, including amortisation of lease prepayments, in respect of these leases in 2010 and 2009 were $8.6 million and $5.9 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:

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	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Not later than one year	15,403	17,006	12,610
Between one and five years	29,987	34,454	36,440
Later than five years	5,948	18,591	27,115
	51,338	70,051	76,165

(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 "California Litigation"). The plaintiff, Tessera Technologies, 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. Tessera has further asserted that our Company is in breach of an existing license agreement entered into by Tessera with ChipPAC, which agreement has been assigned by ChipPAC to the Company.

In May 2007, at Tessera's request, the United States International Trade Commission (the "ITC") instituted an investigation ("the First ITC Investigation") of certain of the Company's co-defendants in the California Litigation and other companies, including certain of the Company's customers. In addition, in April 2007, Tessera an action in the Federal District Court for the Eastern District of Texas (the "Texas Action") against certain of the Company's co-defendants in the California Litigation and other companies. In the First ITC Investigation, the ITC issued a limited exclusion order in May 2009 preventing the named companies from importing certain packaged semiconductor chips and products containing them into the United States. The respondents in the First ITC Investigation appealed to the U.S. Court of Appeals and the ITC determination was affirmed. The respondents in the First ITC Investigation have filed petitions for rehearing by the U.S. Court of Appeals. The Texas Action seeks damages and injunctive relief against the named defendants. Both the First ITC Investigation and the Texas Action allege infringement of two of the same patents asserted by Tessera in the California Litigation, and may involve some of the same products packaged by the Company that are included in the California Litigation.

In May 2008, the ITC instituted an investigation (the "Second ITC Investigation") of the Company and other semiconductor package assembly service providers that are included in the California Litigation. In the Second ITC Investigation, Tessera sought an order to prevent the Company and other named companies (collectively, the "Respondents") from providing packaging or assembly services for certain packaged semiconductor chips incorporating small format non-tape BGA semiconductor packages and products containing them, for importation into the United States. In addition, Tessera sought a general exclusion order excluding from importation all small format non-tape BGA semiconductor packages (and downstream products containing such packages), regardless of whether such packages are assembled by the Respondents. The Second ITC Investigation alleged infringement of three of the same patents asserted by Tessera in the California Litigation. The Company responded to the complaint in June 2008. In February 2009, the Second ITC Investigation was stayed pending the outcome of the First ITC Investigation. In March 2009, Tessera moved to terminate the Second ITC Investigation. In August 2009, the ITC issued a final determination terminating the Second ITC Investigation.

The district court in the California Litigation has vacated the trial schedule and stayed all proceedings pending a final resolution of the First ITC Investigation. The U.S. Patent and Trademark Office (the "PTO") has also instituted reexamination proceedings on all of the patents Tessera has asserted in the California Litigation. It is not possible to predict the outcome of the California Litigation, the total costs of resolving the California Litigation, or when the stay in the California Litigation will be lifted; nor is it possible to predict the outcome of the petitions for rehearing by the respondents in the First ITC Investigation or the Texas Action. It is also not possible to predict the outcome of the PTO proceedings or their impact on the California Litigation or the First ITC Investigation.

The Group believes that the Group has a meritorious defense to these claims and intends to defend the lawsuit(s) vigorously. A court or ITC determination that our products or processes infringe the intellectual property rights of others could result in significant liability and/or require the Group to make material changes to its products and/or processes. Due to the inherent uncertainties of the lawsuit(s) and investigation(s), the Group cannot accurately predict the ultimate outcome and it could result in significant liability and/or injunction and could have a material adverse effect on the business, financial condition and the results of operations of the Group.

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 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 operate. 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.

26. Restructuring Charges

In 2010, the Group recorded severance and related charges of $1.4 million related to the reduction of workforce by 21 employees. In 2009, the Group recorded severance and related charges of $16.1 million in connection with its restructuring plan involving the reduction of approximately 620 employees, representing approximately 5% of its global workforce. The Group implemented the restructuring plan to aggressively reduce its operating costs in response to the severe operating environment during those periods and to realign its organisation’s structure and efficiency.

27. Financial Risk Management

The Group’s 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 2010, 2009 and 2008, which primarily arises from its borrowing facilities. There were no changes in the Group’s approach to capital management during the year.

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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 Thai Baht, 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 $316.9 million, $121.6 million and $59.5 million in 2010, 2009 and 2008, 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 $1.0 million, $0.6 million and $0.5 million as of 26 December 2010, 27 December 2009 and 28 December 2008, 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 in to 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 26 December 2010, 70.7% (2009: 82.9%) of the total debt was at a fixed interest rates and the balance was at a variable interest rates. The Group's borrowings in senior notes, some U.S. dollars loans and promissory notes are subject to fixed interest rates. As of 26 December 2010, the Group's senior notes due 2015 bear an interest of 7.5% per annum.

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,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

time-to-market, technical competence, design services quality, production yields, reliability of customer service and price. The Group's largest customer accounted for approximately 16%, 14% and 12% of revenues in 2010, 2009 and 2008, respectively. The Group's ten largest customers collectively accounted for approximately 69.9%, 71.8% and 66.5% of revenues in 2010, 2009 and 2008, 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.

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Past due less than 30 days	10,869	15,910	27,501
30-60 days	1,166	2,081	6,020
61-90 days	551	421	2,023
More than 90 days	170	28	7,318
	12,756	18,440	42,862

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Gross amount	1,268	2,604	4,274
Less: Allowance for impairment	(1,268)	(2,604)	(4.274)
	-	-	-
Beginning of financial year	2,604	4,274	2,086
Utilise during the year	(273)	(3,513)	(2,432)
Charge for the year	393	1,843	4,620
Write-back	(1,456)	-	-
End of financial year	1,268	2,604	4,274

Cash and cash equivalents are deposited with financial institutions primarily in Singapore, Taiwan, Thailand, 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. Thai, 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, Thailand and Malaysia.

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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 26 December 2010, the Group had cash, cash equivalents and marketable securities of $301.7 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 $514.3 million, of which $65.3 million of credit facilities and $41.1 million of other banking facilities were available as of 26 December 2010. 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:

	As at 26 December 2010				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	151,473	-	-	-	151,473
Payables related to property, plant and equipment	42,734	-	-	-	42,734
Accrued operating expenses	112,600	-	-	-	112,600
Borrowings	61,768	200,001	600,000	-	861,769
Amount due to related parties	22	-	-	-	22
Net-settled interest rate swaps-cash flow hedges	240	-	-		240
Gross-settled currency forwards					
Receipts	(317,247)	-	-	-	(317,247)
Payments	316,890	-	-	-	316,890
Accrued retirement and severance benefits	633	1,683	2,159	6,363	10,838
Total	369,113	201,684	602,159	6,363	1,179,319

	As at 27 December 2009				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	133,532	-	-	-	133,532
Payables related to property, plant and equipment	49,172	-	-	-	49,172
Accrued operating expenses	95,966	-	-	-	95,966
Borrowings	224,786	233,181	-	-	457,967
Amount due to related parties	17	-	-	-	17
Gross-settled currency forwards					
Receipts	(120,911)	-	-	-	(120,911)
Payments	121,591	-	-	-	121,591
Accrued retirement and severance benefits	492	1,346	1,678	8,146	11,662
Total	504,645	234,527	1,678	8,146	748,996

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	As at 28 December 2008				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	118,227	-	-	-	118,227
Payables related to property, plant and equipment	30,704	-	-	-	30,704
Accrued operating expenses	106,361	-	-	-	106,361
Borrowings	76,953	396,500	-	-	473,453
Amount due to related parties	1,388		-	-	1,388
Gross-settled currency forwards					
Receipts	(52,406)	-	-	-	(52,406)
Payments	59,484		-	-	59,484
Accrued retirement and severance benefits	177	545	848	21,338	22,908
Total	340,888	397,045	848	21,338	760,119

Estimation of Fair Value

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Financial assets			
Available-for-sale			
- Marketable securities	105,288	79,441	56,901
Cash and cash equivalents	196,395	288,683	295,916
Loan and receivables			
- Accounts receivable, net	230,777	208,766	139,520
- Amounts due from related parties	17,105	20,895	24,517
- Other receivables	9,435	11,555	8,357
Total	559,000	609,340	525,211
Financial liabilities			
Financial liabilities at nominal value and amortised cost			
- Accounts and other payables	(151,473)	(133,532)	(118,227)
- Payables related to property, plant and equipment purchases	(42,734)	(49,172)	(30,704)
- Accrued operating expenses	(113,584)	(96,646)	(113,439)
- Borrowings	(844,202)	(457,967)	(473,453)
- Amounts due to related parties	(22)	(17)	(1,388)
- Accrued retirement and severance benefits	(10,838)	(11,662)	(22,908)
Total	(1,162,853)	(748,996)	(760,119)

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

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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 26 December 2010, 27 December 2009 and 28 December 2008, respectively:

	Fair Value Measurement as of 26 December 2010			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Short-term financial assets, available-for-sale	88,642	-	-	88,642
Long-term financial assets, available-for-sale	16,646	-	-	16,646
Foreign currency forward contracts	-	1,101	-	1,101
Total assets measured and recorded at fair value	105,288	1,101	-	106,389
Liabilities:				
Foreign currency forward contracts and interest rate swaps	-	984	-	984
Total liabilities measured and recorded at fair value	-	984	-	984

	Fair Value Measurement as of 27 December 2009			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Short-term financial assets, available-for-sale	62,512	-	-	62,512
Long-term financial assets, available-for-sale	16,929	-	-	16,929
Total assets measured and recorded at fair value	79,441	-	-	79,441
Liabilities:				
Foreign currency forward contracts	-	680	-	680
Total liabilities measured and recorded at fair value	-	680	-	680

	Fair Value Measurement as of 28 December 2008			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Short-term financial assets, available-for-sale	41,314	-	-	41,314
Long-term financial assets, available-for-sale	15,587	-	-	15,587
Total assets measured and recorded at fair value	56,901	-	-	56,901
Liabilities:				
Foreign currency forward contracts	-	7,078	-	7,078
Total liabilities measured and recorded at fair value	-	7,078	-	7,078

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 26 December 2010. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Minister for Finance (Incorporated) of Singapore, a body constituted by the Minister for Finance (Incorporation) Act (Cap. 183).

The significant subsidiaries of the Company are as follows:

Name of Subsidiary	Principal Activities	Country of Incorporation	Effective Percentage Holdings 2010	2009	2008
STATS ChipPAC (Barbados) Ltd.#	Investment holding	Barbados	100%	100%	100%
STATS ChipPAC (BVI) Limited*	Investment holding, turnkey packaging and test services, warehousing services, research and development	British Virgin Islands	100%	100%	100%
STATS ChipPAC (Thailand) Limited#	Turnkey packaging and test services, research and development, warehousing services and drop shipment services	Thailand	100%	100%	100%
STATS ChipPAC Korea Ltd.#	Turnkey packaging and test services, research and development, warehousing services and drop shipment services	South Korea	100%	100%	100%
STATS ChipPAC Malaysia Sdn. Bhd.#	Turnkey packaging and test services, warehousing services and drop shipment services	Malaysia	100%	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%	100%
STATS ChipPAC Taiwan Co., Ltd.#	Solder bump services for flip chip, and wafer level chip scale package assembly	Taiwan	100%	100%	100%
STATS ChipPAC Taiwan Semiconductor Corporation+	Test services, research and development, warehousing services, and drop shipment services	Taiwan	52%	52%	52%
STATS ChipPAC, Inc.*	Sales, marketing, administration and research and development	Delaware, USA	100%	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

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Related Party Transactions

As of 26 December 2010, 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 March 1, 1996 and is renewable for a further 30 years subject to the fulfillment of certain conditions.

The Group has contracts with Chartered Semiconductor Manufacturing Ltd ("Chartered"), which was previously majority owned by Temasek through STSPL, to provide wafer sort, packaging and test services and priority usage of the Group's testers in return for minimum loads and orders. Temasek divested its equity in Chartered effective December 2009. Net revenues earned from Chartered in 2009 and 2008 were $2.7 million and $7.4 million, respectively.

The Group has $2.6 million, $15.0 million and $8.6 million of cash and cash equivalents, and $39.1 million, $24.3 million and $19.4 million of short and long term marketable securities placed with Temasek affiliated financial institutions as of 26 December 2010, 27 December 2009 and 28 December 2008, respectively. Interest income earned were $0.4 million, $0.3 million and $0.2 million in 2010, 2009 and 2008, 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 $3.8 million, $2.9 million and $16.7 million in 2010, 2009 and 2008, respectively.

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Short-term amounts due from related parties, accounts receivable, net of allowance for sales returns	-	1,413	1,955
Receivables on assets transfer due from associate	17,105	19,482	22,562
	17,105	20,895	24,517
Short-term amounts due to related parties			
Accounts payable	(22)	(17)	(1,388)

In 2006, the Group entered into an agreement to sell packaging and test equipment related to specific low lead count packages to Wuxi CR Micro-Assembly Technology Ltd. ("ANST") for $35.0 million payable over 4 years and a performance-based contingent earn-out of $5.0 million. ANST is a wholly owned subsidiary of MAT, of which the Company has a 25% shareholding. In 2009, the assets had been fully transferred to ANST. Realised gains on assets held for sales of $0.3 million, $0.4 million and $0.2 million were recognised in 2010, 2009 and 2008, respectively.

In addition to the transfer of assets, the Group entered into an agreement to provide sales and technical support to ANST on a quarterly commission basis from 2007 to 2009, of which $0.7 million and $1.3 million were earned in 2009 and 2008, respectively.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Directors and Key Executives Compensation

	26 December 2010 $'000	27 December 2009 $'000
Non-Executive Directors' fee [1]	404	396
Key Executives' remuneration[1][2]	5,916	4,655
	6,320	5,051

Notes:
(1) Does not include payment for RSUs.
(2) Key executives includes the executive director and CEO and top five key senior executives (who are not directors of the Company)

30. Business Segment, Geographic and Major Customer Data

Management monitors the operating results in deciding how to allocate resources and in assessing performance. The Group has identified its individual geographic operating locations as its operating segments. All material geographical operating locations qualify for aggregation due to similarities in economic characteristics, nature of services, market base and production process. Accordingly, the operating segments have been aggregated into one reportable segment. The Group's reportable segment information is provided below.

Revenues by major service line and by geographical areas (identified by location of customer headquarters) were:

	Year Ended	
	26 December 2010 $'000	27 December 2009 $'000
United States		
– packaging – laminate	652,045	579,131
– packaging – leaded	177,434	165,592
– test	188,279	210,791
– wafer level processing and other services	13,880	6,073
	1,031,638	961,587
Asia		
– packaging – laminate	219,075	129,401
– packaging – leaded	48,303	26,513
– test	123,073	83,036
– wafer level processing and other services	62,948	48,580
	453,399	287,530
Europe		
– packaging – laminate	75,162	59,039
– packaging – leaded	18,347	8,074
– test	35,747	9,171
– wafer level processing and other services	63,541	284
	192,797	76,568
Total		
– packaging – laminate	946,282	767,571
– packaging – leaded	244,084	200,179
– test	347,099	302,998
– wafer level processing and other services	140,369	54,937
	1,677,834	1,325,685

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Long-lived assets by geographical area were:

	Year Ended		
	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Singapore	289,686	260,973	227,636
Korea	277,975	280,177	374,189
China	260,720	251,480	238,264
United States	2,884	8,572	17,666
Rest of Asia	292,544	314,295	358,587
Total	1,123,809	1,115,497	1,216,342

The Group's largest customer accounted for approximately 16%, 14% and 12% of revenues in 2010, 2009 and 2008, respectively. The Group's ten largest customers collectively accounted for approximately 69.9%, 71.8% and 66.5% of revenues in 2010, 2009 and 2008, respectively.

31. Guarantor Subsidiaries and Non Guarantor Subsidiaries

In August 2010, the Company issued $600.0 million of 7.5% Senior Notes due 2015, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively "Non-Guarantor Subsidiaries") and, if regulatory approval was not obtained, STATS ChipPAC Korea Ltd. In October 2010, the Company received regulatory approval for the notes to be fully and unconditionally guaranteed by its subsidiary STATS ChipPAC Korea Ltd., which accordingly has also become a guarantor of the notes. Of the Non-Guarantor Subsidiaries, STATS ChipPAC Shanghai Co. Ltd. and STATS ChipPAC Semiconductor Shanghai Co., Ltd. (collectively, the "China Non-Guarantor Subsidiaries") are Restricted Subsidiaries 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.

In January 2011, the Company issued $200.0 million of 5.375% Senior Notes due 2016, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively "Non-Guarantor Subsidiaries") and, if regulatory approval was not obtained, STATS ChipPAC Korea Ltd. In February 2011, the Company received regulatory approval for the 5.375% Senior Notes due 2016 to be fully and unconditionally guaranteed by its subsidiary, STATS ChipPAC Korea Ltd., which accordingly has become a guarantor of such notes.

For the financial year ended 26 December 2010, 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 $359.9 million of net revenues (representing 21.5% of the Group's consolidated net revenues) and $23.9 million of operating income (representing 12.7% of our consolidated operating income). As of 26 December 2010, the Non-Guarantor Subsidiaries held $607.8 million of assets (representing 27.0% of the Group's consolidated total assets).

For the financial year ended 26 December 2010, STATS ChipPAC Korea Ltd. generated $559.2 million of net revenues (representing 33.3% of the Group's consolidated net revenues) and $61.4 million of operating income (representing 32.8% of the Group's consolidated operating income). As of 26 December 2010, STATS ChipPAC Korea Ltd. held $686.4 million of assets (representing 30.5% of the Group's consolidated total assets).

For the financial year ended 26 December 2010, the China Non-Guarantor Subsidiaries generated $307.2 million of net revenues (representing 18.3% of the Group's consolidated net revenues) and $2.9 million of operating income (representing 1.5% of the Group's consolidated operating income). As of 26 December

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2010, the China Non-Guarantor Subsidiaries held $438.9 million of assets (representing 19.5% of the Group's consolidated total assets).

As of 26 December 2010, STATS ChipPAC Korea Ltd. had no indebtedness outstanding and approximately $179.8 million of trade payables and other liabilities outstanding.

As of 26 December 2010, the China Non-Guarantor Subsidiaries had approximately $6.0 million of indebtedness and $118.2 million of trade payables and other liabilities outstanding and STATS ChipPAC Taiwan Semiconductor Corporation had approximately $14.5 million indebtedness and $9.4 million of trade payables and other liabilities outstanding.

32. Subsequent Events

Subsequent to year end, in January 2011, the Company issued $200.0 million of 5.375% Senior Notes due 2016, which are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its subsidiaries, with the exception of the Non-Guarantor Subsidiaries and STATS ChipPAC Korea Ltd., if regulatory approval is not obtained. In February 2011, the Company received regulatory approval for the 5.375% Senior Notes due 2016 to be fully and unconditionally guaranteed by its subsidiary STATS ChipPAC Korea Ltd., which accordingly has become a guarantor of such notes. These notes are the Company's senior unsecured obligations and are listed on the SGX-ST.

In January 2011, the Company repaid the $234.5 million outstanding under its senior credit facility loan with the net proceeds from the issuance of the $200.0 million of 5.375% Senior Notes due 2016 and balance from cash on hand.

33. Reconciliation of Equity and Net Income from US GAAP to FRS

These are the Group's first consolidated financial statements prepared in accordance with FRS. The date of transition to FRS is 29 December 2008.

The Group's FRS accounting policies presented in Note 3 have been applied in preparing the financial statements for the year ended 26 December 2010, the comparative information and the opening statement of financial position at the date of transition.

First-time adoption exemptions applied

The Group has applied FRS 101, First-time Adoption of International Financial Reporting Standards, in preparing these first FRS consolidated financial statements. Upon transition, FRS 101 permits certain exemptions from full retrospective application. The Group has applied the mandatory exemptions and certain optional exemptions. The exemptions adopted by the Group are set out below:

Share-based payment transactions

As permitted under FRS 101, FRS 102, *Share-based Payment* has not been retrospectively applied to all share-based payment awards. This exemption has been applied for all equity awards which were granted prior to 22 November 2002. All such equity awards exempted from FRS 102 continue to be accounted for under the intrinsic value approach as reported under US GAAP.

Compound financial instruments

FRS 32 *Financial Instruments: Presentation* requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of FRS 32 involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component. However, in accordance with FRS 101, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to FRSs. The Group has chosen to apply the exemption and has not retrospectively applied to compound instruments no longer outstanding as of 29 December 2008.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of the transition from US GAAP to FRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

As at 29 December 2008	US GAAP $'000	Effect of transition to FRS $'000	FRS $'000
Current deferred tax assets	4,694	(4,694)	–
Goodwill	551,132	(120,998)	430,134
Non-current deferred tax assets	13,095	(10,327)	2,768
Current deferred tax liabilities	34,630	(34,630)	–
Non-current deferred tax liabilities	36,690	19,609	56,299
Share capital	2,035,235	(562,147)	1,473,088
Retained earnings	(474,270)	441,149	(33,121)

As at 27 December 2009	US GAAP $'000	Effect of transition to FRS $'000	FRS $'000
Current deferred tax assets	5,081	(5,081)	–
Goodwill	551,132	(120,998)	430,134
Non-current deferred tax assets	15,841	(15,242)	599
Current deferred tax liabilities	4,351	(4,351)	–
Non-current deferred tax liabilities	44,456	(15,972)	28,484
Share capital	2,035,573	(562,147)	1,473,426
Retained earnings	(464,217)	441,149	(23,068)

There were no material differences between US GAAP and FRS on net income and other comprehensive income for the financial year ended 26 December 2010 and 27 December 2009.

There were no material differences between US GAAP and FRS on the consolidated statements of cash flows except for classification of interest received and interest paid which are now classified as cash flows from investing or financing activities respectively instead of cash flows from operating activities as reported under US GAAP. The effect of such reclassification on the consolidated statements of cash flows for the financial year ended 27 December 2009 is summarised below:

For the financial year ended 27 December 2009	Cash Flows from Operating Activities $'000	Cash Flows from Investing Activities $'000	Cash Flows from Financing Activities $'000
Total under US GAAP	174,872	(164,482)	(17,495)
Interest received	(2,270)	2,270	-
Interest paid	28,430	-	(28,430)
Total under FRS	201,032	(162,212)	(45,925)

Business combination

In 2004, the Company entered into a merger with ChipPAC Inc. ("ChipPAC") which resulted in ChipPAC becoming a wholly-owned subsidiary of the Company. The Company recognised goodwill of $974.4 million arising from the acquisition. In the same financial year, the Group recognised an impairment on goodwill of $453.0 million.

Under US GAAP, when consideration paid in a business combination includes shares of the acquirer, the purchase price of the acquired business is determined at the date on which both the number of acquirer shares and the amount of other considerations become fixed. Under FRS, the purchase price is determined at the date on which the shares are exchanged. This has resulted in a lower purchase price under FRS and consequently, lower goodwill. As a result, goodwill recognised under FRS and shareholders' equity were lower by $560.2 million.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Further, the goodwill impairment of $453.0 million previously recognised under US GAAP in 2004 was not required under FRS as the recoverable amount of the Group's cash generating units exceeded their carrying amounts. This had the effect of an increase in the retained earnings by $453.0 million upon reporting under FRS.

In addition, transaction costs incurred during acquisition is capitalised as part of cost of investments under US GAAP. Under FRS, the transaction costs have to be expensed off to income statement. The transaction costs and other adjustments had the effect of a decrease in the retained earnings and goodwill by $13.8 million upon reporting under FRS.

Deferred income taxes

Under US GAAP, the classification of deferred tax assets and liabilities follows the classification of the related non tax asset or liability for financial reporting (as either current or noncurrent). If a deferred tax asset is not associated with an underlying asset or liability, it is classified based on the anticipated reversal periods. Any valuation allowances are allocated between current and noncurrent deferred tax assets for a tax jurisdiction on a pro rata basis. Under FRS, deferred tax assets and liabilities are classified net (within individual tax jurisdictions) as noncurrent on the balance sheet. Supplemental note disclosures are included to describe the components of temporary differences as well as the recoverable amount bifurcated between amounts recoverable less than or greater than one year from the balance sheet date. The reclassification of deferred tax assets and liabilities had been made on all the corresponding periods upon reporting under FRS.

STATS CHIPPAC LTD.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
ASSETS				
Current assets:				
Cash and cash equivalents	3	79,642	177,877	146,281
Accounts receivable, net	5	90,381	86,987	52,301
Short-term amounts due from related parties		–	905	1,556
Short-term amounts due from subsidiaries		493,470	484,018	643,619
Other receivables	6	1,638	5,875	2,490
Inventories	7	12,325	13,802	13,306
Prepaid expenses and other current assets		3,882	2,267	1,773
Total current assets		681,338	771,731	861,326
Non-Current assets				
Financial assets, available-for-sale	4	16,646	16,426	15,587
Property, plant and equipment, net	8	289,686	260,973	227,636
Investment in associate	10	10,154	10,154	10,154
Investment in subsidiaries	9	760,709	755,909	751,923
Intangible assets	11	18,138	14,002	12,024
Prepaid expenses and other current assets		1,119	2,484	9,140
Total non-current assets		1,096,452	1,059,948	1,026,464
Total assets		1,777,790	1,831,679	1,887,790
LIABILITIES				
Current liabilities:				
Accounts and other payable		17,480	16,032	11,086
Payables related to property, plant and equipment purchases		21,597	22,710	9,264
Accrued operating expenses	12	52,165	45,035	52,609
Short-term borrowings	14	37,026	200,000	50,000
Short-term amounts due to related parties		22	17	1,304
Short-term amounts due to subsidiaries		101,167	15,990	126,940
Total current liabilities		229,457	299,784	251,203
Non-current liabilities:				
Long-term borrowings	14	779,907	213,000	365,000
Deferred tax liabilities	13	6,292	1,181	183
Total non-current liabilities		786,199	214,181	365,183
Total liabilities		1,015,656	513,965	616,386
EQUITY				
Share capital	16	872,766	1,472,765	1,472,761
Retained earnings		(101,523)	(145,083)	(191,018)
Other reserves	17	(9,109)	(9,968)	(10,339)
Total equity		762,134	1,317,714	1,271,404
Total liabilities and equity		1,777,790	1,831,679	1,887,790

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"). This is STATS ChipPAC's first unconsolidated statement of financial position prepared in accordance with FRS. The unconsolidated statement of financial position had previously been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP"). The 2010 unconsolidated statement of financial position include an opening balance sheet as at 29 December 2008, date at which the impact of FRS transition were recorded against equity, in accordance with the provisions of FRS 101 "First-time Adoption of Financial Reporting Standards". A detailed reconciliation of the financial statements prepared under US GAAP and the comparative 2010 FRS financial information is presented in Note 20.

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 subsidiaries in South Korea, China, Thailand, Malaysia, Taiwan, the British Virgin Island, Luxembourg, Barbados, Hungary and in the United States, its principal market. The Company's equity investee company is based in Bermuda. Investments in subsidiaries and equity investee are accounted for at cost less accumulated impairment loss. The Company 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 and are generally thirteen weeks in length. Fiscal year 2010, a 52-week year, ended on 26 December 2010, fiscal year 2009, a 52-week year, ended on 27 December 2009, and fiscal year 2008, a 52-week year, ended on 28 December 2008. Unless otherwise stated, all years and dates refer to STATS ChipPAC's fiscal years.

2. Related Parties

As of 26 December 2010, 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.

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NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

3. Cash and Cash Equivalents

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Cash at banks and on hand	59,779	47,956	17,091
Cash equivalents			
Bank fixed deposits	227	92,361	106,897
Money market funds	19,636	37,560	22,293
	79,642	177,877	146,281

4. Financial Assets, Available-for-Sale

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Quoted marketable securities			
- Corporate notes	16,646	16,426	15,587

The corporate notes are publicly traded, and fair values have been estimated by reference to their quoted bid prices at their reporting date.

	Year ended	
	26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	16,426	15,587
Fair value gains recognised in other reserves (Note 17 (b))	220	839
End of financial year	16,646	16,426
Less: current amount	–	–
Non-current amount	16,646	16,426

5. Accounts Receivable

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Accounts receivables – third parties, net of allowance for sales returns	91,649	89,591	56,575
Less: Allowance for impairment	(1,268)	(2,604)	(4,274)
Accounts receivable, net	90,381	86,987	52,301

6. Other Receivables

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Deposits and staff advances	4	1	12
Other receivables	1,634	5,874	2,478
	1,638	5,875	2,490

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NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

7. Inventories

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Raw materials	7,427	8,171	8,503
Work-in-progress	4,493	5,076	4,427
Finished goods	405	555	376
	12,325	13,802	13,306

8. Property, Plant and Equipment

	Buildings, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost			
Balances at 28 December 2009	66,651	807,689	874,340
Additions	9,636	102,132	111,768
Transfers from subsidiaries	–	22,257	22,257
Disposals/write-off	–	(36,019)	(36,019)
Balances at 26 December 2010	76,287	896,059	972,346
Accumulated depreciation			
Balances at 28 December 2009	48,237	565,130	613,367
Additions	2,960	75,462	78,422
Transfers from subsidiaries	–	15,684	15,684
Disposals/write-off	–	(24,813)	(24,813)
Balances at 26 December 2010	51,197	631,463	682,660
Net book value at 26 December 2010	25,090	264,596	289,686

	Buildings, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost			
Balances at 29 December 2008	64,119	792,909	857,028
Additions	2,630	77,276	79,906
Transferred from subsidiaries	–	50,952	50,952
Disposals/write-off	(98)	(113,448)	(113,546)
Balances at 27 December 2009	66,651	807,689	874,340
Accumulated depreciation			
Balances at 29 December 2008	46,076	583,316	629,392
Additions	2,259	66,209	68,468
Transferred from subsidiaries	–	19,993	19,993
Disposals/write-off	(98)	(104,388)	(104,486)
Balances at 27 December 2009	48,237	565,130	613,367
Net book value at 27 December 2009	18,414	242,559	260,973

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 (continued)

9. Investment in Subsidiaries

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Unquoted equity shares at cost	720,703	715,903	711,917
Quoted equity shares at cost	40,006	40,006	40,006
	760,709	755,909	751,923

10. Investment in Associate

Investment in equity investee is summarised as follows:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Unquoted equity shares at cost	10,154	10,154	10,154

11. Intangible Assets

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

	26 December 2010 $'000	27 December 2009 $'000
Cost		
Beginning of financial year	16,401	13,699
Additions	5,194	2,720
Write-off	–	(18)
End of financial year	21,595	16,401
Accumulated amortisation		
Beginning of financial year	2,399	1,675
Additions	1,066	725
Write-off	(8)	(1)
End of financial year	3,457	2,399
Net book value	18,138	14,002

12. Accrued Operating Expenses

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Staff costs and accrued restructuring charges	17,195	14,686	21,524
Purchase of raw materials	7,728	10,156	3,942
Maintenance fees, license fees and royalties	952	1,441	1,628
Interest expense	17,120	7,084	7,034
Accruals for vacation liability	2,345	1,405	2,472
Others accrued operating expenses	6,825	10,263	16,009
	52,165	45,035	52,609

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

13. Income Taxes

In 2008, the Singapore Economic Development Board ("EDB") offered the Company a five year tax incentive for its Singapore operations commencing 1 July 2007, 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.

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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	6,292	1,149	–
Uncertain tax position	–	32	183
	6,292	1,181	183

In 2010 and 2009, the Company recognised deferred tax liability of $6.3 million and $1.1 million for taxes that would be payable on the undistributed earnings of certain of the Company's 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	Uncertain tax Position $'000	Total $'000
Balances at 28 December 2009	1,149	32	1,181
Charges (credits) to Income Statement	5,143	(32)	5,111
Balances at 26 December 2010	6,292	—	6,292
Balances at 29 December 2008	—	183	183
Charges (credits) to Income Statement	1,149	(151)	998
Balances at 28 December 2009	1,149	32	1,181

As of 26 December 2010, the Company has approximately $23.9 million and $253.4 million of tax loss carryforwards and unutilised capital allowances 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 (continued)

14. Borrowings

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
7.5% senior notes due 2015	590,144	–	–
6.75% senior notes due 2011	–	213,000	215,000
7.5% senior notes due 2010	–	150,000	150,000
Senior credit facility	226,789	–	–
US dollars bank loan at floating rates	–	50,000	50,000
Total borrowings	816,933	413,000	415,000
Less: borrowings repayable within one year	37,026	200,000	50,000
Long-term borrowings	779,907	213,000	365,000

Refer to Note 16 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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
6 months or less	226,789	50,000	50,000
6 - 12 months	–	150,000	–
1 - 5 years	590,144	213,000	365,000
	816,933	413,000	415,000

Fair value of borrowings:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
7.5% senior notes due 2015	634,425	–	–
6.75% senior notes due 2011	–	209,805	195,387
7.5% senior notes due 2010	–	153,375	144,994
Senior credit facility	226,789	–	–
U.S. dollars bank loan at floating rates	–	50,000	50,000
	861,214	413,180	390,381

The fair values of the senior notes are determined from the trading market prices of the senior notes as of each balance sheet dates. The senior credit facility and U.S. dollars bank loan at floating rates are assumed to approximate its 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 $440.0 million, of which $54.0 million of credit facilities and $11.6 million of other banking facilities were available as of 26 December 2010.

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

15. Derivative Financial Instruments

	26 December 2010			27 December 2009			28 December 2008		
	Contract notional amount $'000	Asset $'000	Liability $'000	Contract notional amount $'000	Asset $'000	Liability $'000	Contract notional amount $'000	Asset $'000	Liability $'000
Cash-flow hedges									
- Interest rate swaps	170,000	-	240	-	-	-	-	-	-
- Currency forwards	100,840	537	127	53,191	-	468	22,683	-	480
Total		537	367		-	468		-	480

The Company enters into forward contract 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.

Interest rate swaps are entered into to hedge floating interest payments on borrowings on the senior credit facility. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to income statement at maturity.

16. 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.

17. Other reserves

(a) Composition

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Fair value reserve	453	233	(606)
Hedging reserve	171	(468)	–
Foreign currency translation reserve	(9,733)	(9,733)	(9,733)
	(9,109)	(9,968)	(10,339)

(b) Movement

(i) Fair value reserve

	Year ended 26 December 2010 $'000	27 December 2009 $'000
Beginning of financial year	233	(606)
Financial assets, available-for-sale		
Fair value gains (Note 4)	220	839
Tax on fair value changes	-	-
End of financial year	453	233

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(ii) Hedging reserve

	Year ended 26 December 2010 $'000	Year ended 27 December 2009 $'000
Beginning of financial year	(468)	–
Fair value gains (losses)	1,723	(316)
Reclassification to income statement	(1,084)	(152)
Tax on fair value changes	–	–
End of financial year	171	(468)

Other reserves are non-distributable.

18. Commitments and Contingencies

(a) Commitments

As of 26 December 2010, 27 December 2009 and 28 December 2008, unconditional purchase obligations consist of the following:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Capital commitments			
Equipment	21,673	45,382	3,021
Other commitments			
Inventories	7,335	7,751	3,467

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 twelve months.

The Company is party to certain royalty and licensing agreements which have anticipated cumulative payments of approximately $2.7 million per annum for 2011 through 2015.

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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Not later than one year	3,386	5,148	1,973
Between one and five years	2,788	3,232	3,820
Later than five years	5,601	5,418	5,440
	11,775	13,798	11,233

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(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 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.

19. 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:

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Past due less than 30 days	3,729	4,344	6,772
30-60 days	172	355	3,062
61-90 days	88	343	1,196
More than 90 days	79	784	7,310
	4,068	5,826	18,340

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Gross amount	1,268	2,604	4,274
Less: Allowance for impairment	(1,268)	(2,604)	(4,274)
	-	-	-
Beginning of financial year	2,604	4,274	2,086
Utilise during the year	(273)	(3,513)	(2,432)
Charge for the year	393	1,843	4,620
Write-back	(1,456)	-	-
End of financial year	1,268	2,604	4,274

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:

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 26 December 2010				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	17,480	–	–	–	17,480
Payables related to property, plant and equipment purchases	21,597	–	–	–	21,597
Accrued operating expenses	51,798	–	–	–	51,798
Borrowings	37,026	197,474	600,000	–	834,500
Amount due to related parties	22	–	–	–	22
Amount due to subsidiaries	101,167	–	–	–	101,167
Net-settled interest rate swaps-cash flow hedges	240	–	–	–	240
Gross-settled currency forwards					
Receipts	(101,250)	–	–	–	(101,250)
Payments	100,840	–	–	–	100,840
Total	228,920	197,474	600,000	–	1,026,394

	As at 27 December 2009				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	16,032	–	–	–	16,032
Payables related to property, plant and equipment purchases	22,710	–	–	–	22,710
Accrued operating expenses	44,567	–	–	–	44,567
Borrowings	200,000	213,000	–	–	413,000
Amount due to related parties	17	–	–	–	17
Amount due to subsidiaries	15,990	–	–	–	15,990
Gross-settled currency forwards					
Receipts	(52,723)	–	–	–	(52,723)
Payments	53,191	–	–	–	53,191
Total	299,784	213,000	–	–	512,784

	As at 28 December 2008				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Trade and other payables	11,086	–	–	–	11,086
Payables related to property, plant and equipment purchases	9,264	–	–	–	9,264
Accrued operating expenses	52,129	–	–	–	52,129
Borrowings	50,000	365,000	–	–	415,000
Amount due to related parties	1,304	–	–	–	1,304
Amount due to subsidiaries	126,940	–	–	–	126,940
Gross-settled currency forwards					
Receipts	(22,203)	–	–	–	(22,203)
Payments	22,683	–	–	–	22,683
Total	251,203	365,000	–	–	616,203

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Estimation of Fair Value

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

	26 December 2010 $'000	27 December 2009 $'000	28 December 2008 $'000
Financial assets			
Available-for-sale			
- Marketable securities	16,646	16,426	15,587
Cash and cash equivalents	79,642	177,877	146,281
Loan and receivables			
- Accounts receivable, net	90,381	86,987	52,301
- Amounts due from related parties	–	905	1,556
- Amounts due from subsidiaries	493,470	484,018	643,619
- Other receivables	1,638	5,875	2,490
Total	681,777	772,088	861,834
Financial liabilities			
Financial liabilities at nominal value and amortised cost			
- Accounts and other payables	(17,480)	(16,032)	(11,086)
- Payables related to property, plant and equipment purchases	(21,597)	(22,710)	(9,264)
- Accrued operating expenses	(52,165)	(45,035)	(52,609)
- Borrowings	(816,933)	(413,000)	(415,000)
- Amounts due to related parties	(22)	(17)	(1,304)
- Amounts due to subsidiaries	(101,167)	(15,990)	(126,940)
Total	(1,009,364)	(512,784)	(616,203)

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 26 December 2010, 27 December 2009 and 28 December 2008, respectively:

	Fair Value Measurement As of 26 December 2010			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Financial assets, available-for-sale	16,646	–	–	16,646
Foreign currency forward contracts	–	537		537
Total assets measured and recorded at fair value	16,646	537	–	17,183
Liabilities:				
Foreign currency forward contracts and interest rate swaps	–	367	–	367
Total liabilities measured and recorded at fair value	–	367	–	367

	Fair Value Measurement As of 27 December 2009			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Financial assets, available-for-sale	16,426	–	–	16,426
Total assets measured and recorded at fair value	16,426	–	–	16,426
Liabilities:				
Foreign currency forward contracts	–	468	–	468
Total liabilities measured and recorded at fair value	–	468	–	468

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Fair Value Measurement As of 28 December 2008			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Financial assets, available-for-sale	15,587	–	–	15,587
Total assets measured and recorded at fair value	15,587	–	–	15,587
Liabilities:				
Derivative financial instruments	–	480	–	480
Total liabilities measured and recorded at fair value	–	480	–	480

20. Reconciliation of Equity from US GAAP to FRS

The effects of the transition from US GAAP to FRS on equity is presented in this section and is further explained in the notes that accompany the tables.

As at 29 December 2008	US GAAP	Effect of Transition to FRS	FRS
	$'000	$'000	$'000
Investment in subsidiaries	1,030,329	(278,406)	751,923
Investment in associate	9,001	1,153	10,154
Share capital	2,035,235	(562,474)	1,472,761
Retained earnings	(474,270)	283,252	(191,018)
Other reserves	(12,308)	1,969	(10,339)

As at 27 December 2009	US GAAP	Effect of Transition to FRS	FRS
	$'000	$'000	$'000
Investment in subsidiaries	1,005,273	(249,364)	755,909
Investment in associate	7,743	2,411	10,154
Share capital	2,035,573	(562,808)	1,472,765
Retained earnings	(464,217)	319,134	(145,083)
Other reserves	(6,687)	(3,281)	(9,968)

Refer to Note 33 of the consolidated financial statements for details on reconciliations of equity from US GAAP to FRS.

Investment in Subsidiaries and Associate

Investments in subsidiaries and associated company are accounted for using the equity accounting method under US GAAP. Investments in subsidiaries and associated company are recorded at net of share of subsidiaries' and associated company's net income or losses. Under FRS, the investment in subsidiaries and associated company is accounted for at cost.

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 26 December 2010. The following interested person transactions were entered into by the Company and its subsidiaries for the financial year ended 27 December 2009:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transaction conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Transaction for the Sale of Goods and Services				
Chartered Semiconductor Manufacturing Ltd.	–	2,736	–	–

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its chief executive officer, directors or controlling shareholders, 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.

Auditors' Remuneration

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

	2010 $'000	**2009 $'000**
Auditor's remuneration paid/payable to:		
- Auditor of the Company	730	1,043
- Other auditors*	248	309
Other fees paid/payable to:		
- Auditor of the Company	164	–
- Other auditors*	–	93

* Include PricewaterhouseCoopers firms outside Singapore

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 interest of the chief executive officer, each director or controlling shareholder.

STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Shareholdings Statistics

As of 4 March 2011

Total no. of issued shares Issued and fully paid-up capital	: 2,202,218,293
Class of shares	: Ordinary shares with equal voting rights

Size of Shareholdings	No. of Shareholders	%	No. of shares	%
1 - 999	354	2.74	130,135	0.01
1,000 - 10,000	10,910	84.51	34,906,544	1.58
10,001 - 1,000,000	1,627	12.60	59,745,984	2.71
1,000,001 and above	19	0.15	2,107,435,630	95.70
Total	12,910	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	Citibank Nominees Singapore Pte Ltd	88,620,370	4.02
3	DBS Nominees Pte Ltd	57,380,897	2.61
4	United Overseas Bank Nominees Pte Ltd	29,255,800	1.33
5	CDP Nominees Pte Ltd	17,200,000	0.78
6	DBSN Services Pte Ltd	16,887,731	0.77
7	HSBC (Singapore) Nominees Pte Ltd	15,949,793	0.72
8	Phillip Securities Pte Ltd	7,892,000	0.36
9	Citibank Consumer Nominees Pte Ltd	5,689,000	0.26
10	UOB Kay Hian Pte Ltd	3,454,000	0.16
11	OCBC Nominees Singapore Pte Ltd	3,304,000	0.15
12	Lim & Tan Securities Pte Ltd	3,041,000	0.14
13	Top Peak Investment Holdings Ltd	2,700,000	0.12
14	Choo Ah Seng	2,288,000	0.10
15	Ng Hian Chow	2,163,000	0.10
16	DBS Vickers Securities (Singapore) Pte Ltd	1,983,000	0.09
17	Ong Bee Dee	1,810,000	0.08
18	Kim Eng Securities Pte. Ltd.	1,093,350	0.05
19	Jusuf Or Mariana	1,008,000	0.05
20	Mayban Nominees (Singapore) Pte Ltd	876,000	0.04
	Total	2,108,311,630	95.74

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 (Pte) Ltd [1]	--	--	1,845,715,689	83.81	1,845,715,689	83.81
Marathon Asset Management LLP[2]	--	--	122,368,000	5.56	122,368,000	5.56

Public Shareholders

Based on the information available to the Company as of 4 March 2011, approximately 11% 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 4 March 2011, 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, 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 4 March 2011.

[2] We received notice from Marathon in September 2010 that it had voting control over 122,368,000 ordinary shares, which represented approximately 5.56% of our ordinary shares outstanding as of 4 March 2011, and non-voting control over an additional 45,938,000 ordinary shares, which represented approximately 2.09% of our ordinary shares outstanding as of 4 March 2011.

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CORPORATE INFORMATION

Chairman
Charles R. Wofford

Directors
Tan Lay Koon
Peter Seah Lim Huat
R. Douglas Norby
Teng Cheong Kwee
Tokumasa Yasui
Rohit Sipahimalani

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 Office

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

Company Secretary
Janet T. Taylor

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183 Robinson Road #17-00
The Corporate Office
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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: Ms Deborah Ong
(Appointed in 2006)

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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Annual General Meeting
The 17th Annual General Meeting will be held at 10.00 a.m. local time, Wednesday, 20 April 2011 at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046.

STATSChipPAC®

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