STATSChipPAC®

ANNUAL REPORT 2011

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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. STATS ChipPAC's facilities include those of its subsidiary, STATS ChipPAC Taiwan Semiconductor Corporation, in Hsin-Chu District, Taiwan. Together with our research and development centres in Singapore, South Korea, China and Taiwan, this forms a global network providing dedicated packaging and test engineering development and product engineering support for customers from design to volume production.

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 Singapore, South Korea, China, Malaysia, Thailand, Taiwan, Japan, Switzerland and United Kingdom.

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 2011 (the "Annual Report").

Forward-Looking Statements

Certain of the statements in this Annual Report, including the market research outlook for the semiconductor industry, are forward-looking statements, that involve a number of risks and uncertainties which could cause actual results to differ materially. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "intend," "target," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue" or the negative of these terms or other comparable terminology. Factors that could cause actual results to differ include, but are not limited to, the timing and impact of the expected closure of our Thailand facility as well as the estimated associated cost for the closure; the amount of the property damage and business interruption insurance claim due to flooding of our Thailand facility; the ability to shift production to other manufacturing locations, shortages in supply of key components and disruption in supply chain, general business and economic conditions and the state of the semiconductor industry; prevailing market conditions; demand for end-use applications products such as communications equipment, consumer and multi-applications and personal computers; decisions by customers to discontinue outsourcing of test and packaging services; level of competition; our reliance on a small group of principal customers; our continued success in technological innovations; pricing pressures, including declines in average selling prices; intellectual property rights disputes and litigation; our ability to control operating expenses; our substantial level of indebtedness and access to credit markets; potential impairment charges; availability of financing; changes in our product mix; our capacity utilisation; delays in acquiring or installing new equipment; limitations imposed by our financing arrangements which may limit our ability to maintain and grow our business; returns from research and development investments; changes in customer order patterns; customer credit risks; disruption of our operations; 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; and the continued trading and listing of our ordinary shares on the Singapore Exchange Securities Trading Limited ("SGX-ST"). You should not unduly rely on such statements. We do not intend, and do not assume any obligation, to update any forward-looking statements to reflect subsequent events or circumstances.

FINANCIAL
HIGHLIGHTS

REVENUE
(IN US$ MILLION)

2011	1,706.5
2010	1,677.8
2009	1,325.7

GROSS MARGIN

2011	17.0%
2010	20.3%
2009	15.7%

OPERATING EXPENSES/ REVENUE

2011	9.7%
2010	9.1%
2009	11.7%

CAPITAL EXPENDITURE/ REVENUE

2011	17.8%
2010	16.5%
2009	12.0%

NET INCOME (LOSS)
(IN US$ MILLION)

2011	(2.5)
2010	108.0
2009	10.1

LETTER TO SHAREHOLDERS

Dear Shareholders,

The year 2011 turned out to be more challenging for the semiconductor industry than anticipated. Growth in semiconductor demand was generally subdued as a result of global macroeconomic uncertainties, particularly in Europe and the United States. In addition, the semiconductor industry was impacted by two major supply chain disruptions, the earthquake disaster in Japan and the devastating flood in Thailand.

Despite the challenging environment, STATS ChipPAC achieved record revenue for the full year 2011 of $1,706.5 million, an increase of 1.7% over the prior year.

Our business in the communications end market was exceptionally strong and revenue from communications increased 12.2% over the prior year to a record $1,011.8 million as we benefited from the strength of the wireless handset market. The communications end market contributed 59.3% of our 2011 revenue compared to 53.8% a year ago.

The strong revenue growth in the communications end market, increased product offerings in advanced technologies and savings realised from our cost improvement initiatives helped offset the gross margin pressure in 2011 caused by higher material cost, increased labour costs arising from the appreciation of the Asian currencies against the United States dollar and unfavourable changes in product mix. Gross margin for the full year 2011 was 17.0% compared to 20.3% in 2010.

The flood in Thailand caused extensive equipment and facilities damage to our plant in the Pathum Thani area and we announced our plan to not resume full operations in this location. The facility restoration period and extensive requirements associated with restoring this plant makes it economically unfeasible. As a result, the Company incurred flood related charges amounting to $55.5 million that included non-cash impairment charges of $24.5 million on goodwill and $16.3 million on plant and equipment, and other related charges of $14.7 million. Our operating margin before flood related charges for the full year 2011 was 7.3% of revenue compared to 11.2% in 2010.

Net loss for the year 2011 was $2.5 million, which included the $55.5 million flood related charges described above and interest expense of $44.8 million on the $600.0 million senior notes issued to fund our capital reduction in 2010. This compares to net income of $108.0 million in 2010. Net cash from operations was $389.2 million for the full year of 2011 compared to $465.7 million in 2010. Capital spending was $304.2 million or 17.8% of revenue in 2011 compared to $276.7 million or 16.5% of revenue in 2010. We ended with cash, cash equivalents and marketable securities of $238.1 million and debt of $810.3 million as of the end of 2011 compared to $301.7 million and $844.2 million, respectively, a year ago.

We continued to expand our technological capabilities and established industry leadership in some areas. Highlights of our 2011 technological accomplishments include:

- Introduction of our innovative fcCuBE™ technology, an advanced flip chip packaging technology that cost-effectively delivers high input/output, high performance and superior reliability in advanced silicon nodes;
- Expansion of our 300mm Through Silicon Via (TSV) manufacturing capabilities which enables advanced packages with greater space efficiencies and higher interconnect densities than wire bonding and flip chip stacking;
- Development of next-generation packaging solutions that integrate embedded Wafer Level Ball Grid Array (eWLB) technology with TSV and Integrated Passive Devices (IPDs) to deliver design flexibility, increased performance and a smaller form factor for mobile and consumer applications;

- Expansion of our 300mm wafer bump and Wafer Level Chip Scale Packaging (WLCSP) capabilities to provide customers with more cost-effective, high density wafer level packaging solutions for thin, light weight, portable products; and
- Development of copper wirebond capabilities to support a broader range of fine pitch devices and advanced silicon nodes.

We continued to invest in differentiating technology and manufacturing capabilities that enable us to provide our customers with smaller, thinner, higher performance and cost effective semiconductor packages. Expenditures for research and development in 2011 grew to $53.0 million or 3.1% of revenue, with major investments in wafer level bump, WLCSP, eWLB, TSV and advanced flip chip interconnect, compared with $47.5 million or 2.8% of revenue a year ago. These important investments will enable us to continue developing innovative packaging solutions that support new advanced features, higher processing capabilities and enhanced user interfaces in multi-functional electronic devices such as smartphones and tablet computers.

Our strength in technology innovation can be seen in our rapidly growing technology portfolio. During 2011, we filed a total of 455 new patent applications and were issued 266 patents. From 2004 to the end of 2011, our intellectual property portfolio has grown to 2,165 patents filed or issued.

We believe firmly that operational excellence is a critical competitive factor and we are honoured to have received awards and recognition from our customers. These accolades included Samsung Semiconductor's "Supplier of the Year Award" for the second consecutive year, Analog Devices' "Supplier Excellence Award" for the third consecutive year and Intel Corporation's "Preferred Quality Supplier (PQS) Award" for the second consecutive year. In addition, we also received three prestigious supplier awards from LSI Corporation in June that included "Strategic Partner," "2011 Best-in-Class Partner Award" and "Strategic Partner of the Year." In November, we were named Cirrus Logic's "Supplier of the Year."

The global macroeconomic outlook remains challenging and the semiconductor industry continues to be cautious in managing inventory given these uncertain conditions. However, the long-term trends that support growth of the outsourced semiconductor assembly and test (OSAT) industry remain. Market research data indicates that the semiconductor industry will grow approximately 2% to 7% in 2012 and the growth of the outsourced semiconductor assembly and test industry is expected to outpace the total semiconductor industry growth. New product launches in applications such as smartphones and media tablets are expected to have a positive impact on semiconductor industry growth in 2012. Although semiconductor demand remains subject to the uncertain macroeconomic conditions, we are optimistic that with our leadership position in advanced packaging technology, our proven manufacturing capabilities, our outstanding customer service and our business development initiatives, we will be able to win new customer programs, successfully ramp our advanced technology solutions and continue to drive improvements in our cost competitiveness.

We are building a strong foundation for innovative packaging and test technology that will differentiate our company and we continue to manage our business in a prudent manner in order to maintain our position of financial strength. On behalf of the Board of Directors and the entire management team, we would like to thank our customers, suppliers, employees and shareholders for their continued support.

Charles R. Wofford
Chairman

Tan Lay Koon
Director, President
and Chief Executive Officer

ANNUAL REPORT TO SHAREHOLDERS
FOR THE YEAR 2011*

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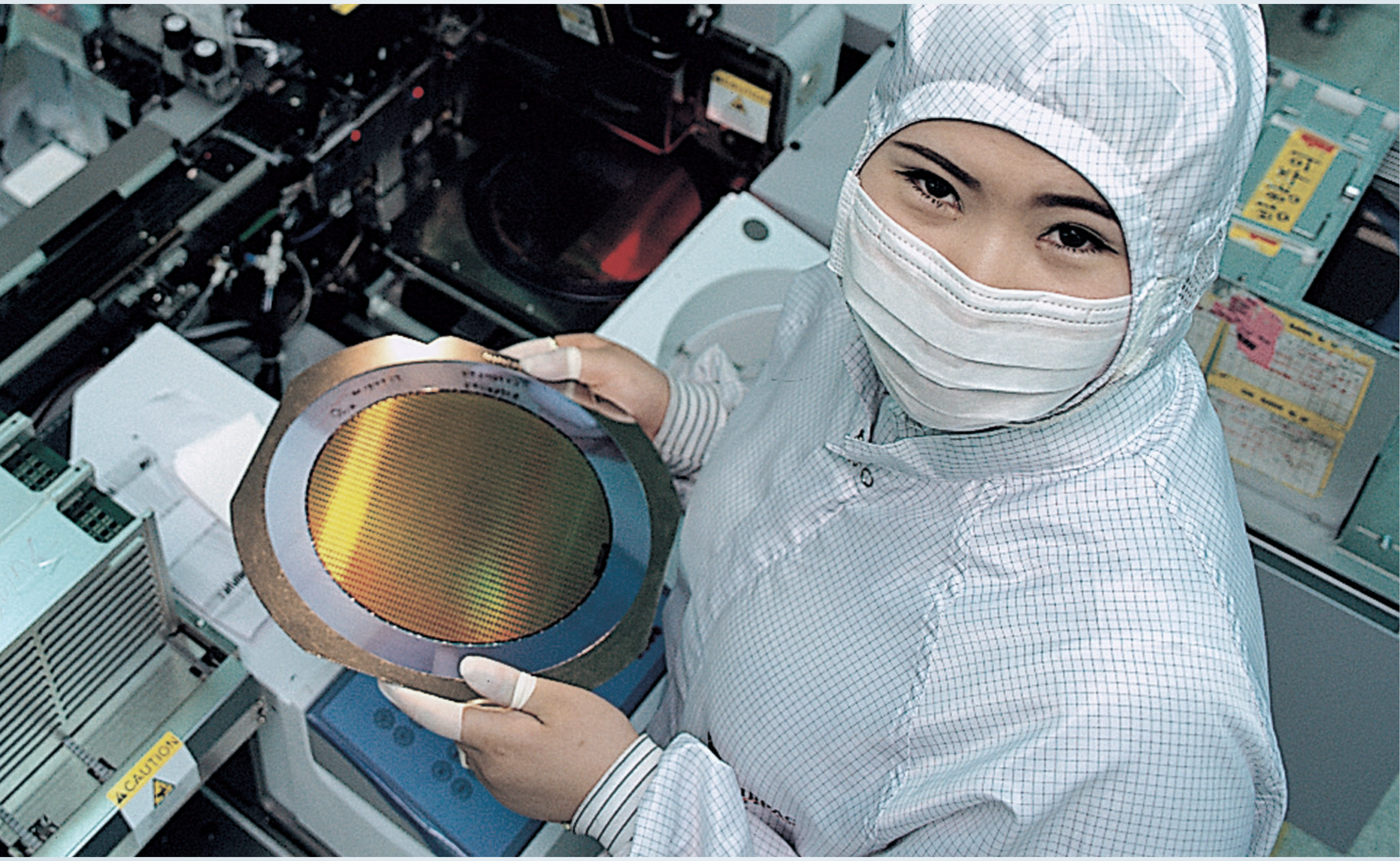

* This Annual Report has been prepared by STATS ChipPAC for the purpose of complying with the laws of Singapore. The financial information in this Annual Report is derived (unless otherwise indicated) from the consolidated financial statements of STATS ChipPAC which are prepared in accordance with Singapore 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 20 April 2011. 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 also sits on the board of Flextronics International Ltd as a non-executive director. 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 and StarHub Ltd. 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 Pte Ltd. Mr. Seah was the Chairman of Sembcorp Industries Ltd, Deputy Chairman of Singapore Technologies Telemedia Pte Ltd and director of Chartered Semiconductor Manufacturing Ltd (now known as GlobalFoundries 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 20 April 2011. 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 such companies' 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 20 April 2011. 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 AEI Corporation Ltd, Techcomp (Holdings) Ltd, Memtech International Ltd, First Resources Ltd, AVIC International Investments Ltd and Junma Tyre Cord Company Ltd. He previously sits on the board of Sinomem Technology Ltd. Mr. Teng received his Bachelor of Engineering (Industrial) (First Class Honors) and Bachelor of Commerce from the University of Newcastle in Australia.

Rohit Sipahimalani

Mr. Rohit Sipahimalani has been a member of our Board of Directors since April 2009. Mr. Sipahimalani was re-elected as a Director on 20 April 2011. He is currently a Senior Managing Director, Investment at Temasek International Pte Ltd and Head, India. Prior to joining Temasek in 2008, Mr. Sipahimalani was with Morgan Stanley for over 11 years, most recently serving as Managing Director, Head of South East Asia, Investment Banking. Mr. Sipahimalani joined Morgan Stanley in 1997 after spending three years with McKinsey & Co. Inc., where he was an Engagement Manager in their Mumbai office. Prior to that, he was at Citibank N.A. from 1989 to 1994. Mr. Sipahimalani is a director of Tata Sky Ltd, Bharti Infratel Limited and Temasek Holdings Advisors India Pte Ltd. 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 1994. From 1986 to 1994, Mr. Wan held various positions in National Semiconductor as Director of Operations, Director of Logistics and Director of QRA. Prior to joining National Semiconductor in 1986, Mr. Wan held various positions at Texas Instruments Singapore Pte. Ltd. Mr. Wan holds a Bachelor of Electrical and Electronics Engineering from the University of Singapore.

Han Byung Joon
Dr. Han Byung Joon joined us as our Chief Technology Officer in December 1999. Prior to joining us, Dr. Han was Director of Product Development at Anam Semiconductor, Inc. and, prior to that, held various engineering positions with IBM Corporation ("IBM") and AT&T Bell Labs. He is credited with the invention of many semiconductor packaging technologies. 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 audited 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 2011 and fiscal year 2011 ended on 25 December 2011, while our fourth quarter of 2010 and fiscal year 2010 ended on 26 December 2010, respectively.

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

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.

Results of Operations and Selected Data

	Year Ended			
	25 December 2011		26 December 2010	
	(In millions, except for ratio)			
		% of net revenues		% of net revenues
Net revenues	$ 1,706.5	*100.0*	$ 1,677.8	*100.0*
Cost of revenues	(1,416.8)	*(83.0)*	(1,337.9)	*(79.7)*
Gross profit	289.7	*17.0*	339.9	*20.3*
Operating expenses:				
Selling, general and administrative	105.5	*6.2*	98.7	*5.9*
Research and development	53.0	*3.1*	47.5	*2.8*
Write-off of debt issuance costs	7.6	*0.4*	2.0	*0.1*
Tender offer expense	–	*0.0*	3.1	*0.2*
Restructuring charges	–	*0.0*	1.4	*0.1*
Total operating expenses	166.1	*9.7*	152.7	*9.1*
Operating income before flood related charges	123.6	*7.3*	187.2	*11.2*
Flood related charges	55.5	*3.3*	–	*0.0*
Operating income after flood related charges	68.1	*4.0*	187.2	*11.2*
Other income (expense), net:				
Interest income (expense), net	(57.9)	*(3.4)*	(41.1)	*(2.5)*
Foreign currency exchange gain (loss)	3.1	*0.2*	(2.6)	*(0.1)*
Share of profit (loss) of associate	(1.1)	*(0.1)*	0.5	*0.0*
Other non-operating income (expense), net	0.1	*0.0*	(1.6)	*(0.1)*
Total other expenses, net	(55.7)	*(3.3)*	(44.8)	*(2.7)*
Income before income taxes	12.4	*0.7*	142.4	*8.5*
Income tax expense	(10.6)	*(0.6)*	(27.0)	*(1.6)*
Net income for the year	1.8	*0.1*	115.4	*6.9*
Less: Net income attributable to the non-controlling interest	(4.3)	*(0.2)*	(7.4)	*(0.4)*
Net income (loss) attributable to STATS ChipPAC Ltd.	$ (2.5)	*(0.1)*	$ 108.0	*6.5*

Net revenues by product line and by end user market were:

	Year Ended	
	25 December 2011	26 December 2010
	%	%
Net revenues by product line:		
Packaging – laminate	55.4	56.4
Packaging – leaded	15.2	14.5
Test	19.6	20.7
Wafer level processing and other services	9.8	8.4
	100.0	100.0
Net revenues by end user market:		
Communications	59.3	53.8
Personal Computers	13.1	14.0
Consumer, Multi-applications and Others	27.6	32.2
	100.0	100.0

Year Ended 25 December 2011 compared to Year Ended 26 December 2010

Net Revenues

We derive revenues primarily from packaging and testing of laminate, leaded and wafer level packages. Net revenues were $1.706.5 million in 2011, an increase of 1.7% compared to $1,677.8 million in 2010. The increase in net revenues in 2011 compared to the same periods in 2010 was primarily due to strong demand in the communications market, offset by a revenue reduction resulting from the suspension of our Thailand operation from 17 October 2011 to the end of the fourth quarter of 2011 due to the flood in Thailand.

In 2011, unit volumes of our total packaging were 6.9% higher compared to 2010. Average selling prices declined by 5.3% in 2011 compared to 2010, due to product mix changes and price decreases. These resulted in a net increase of our packaging revenues in 2011 by 1.2% to $1,205.2 million compared to 2010. Revenue from test services in 2011 decreased 3.8% to $333.9 million, compared to 2010. Revenue from wafer level processing and other services in 2011 increased 19.3% to $167.4 million compared to 2010 due to higher revenue from our ramp up of new technologies such as embedded wafer level Ball Grid Array (eWLB) and wafer level processing. Revenue from our advanced packaging in flip chip and wafer level processing has increased to 35.3% of our revenues in 2011 compared to 26.6% in 2010. Our revenue from copper wirebond packaging accounted for 9.2% of our total wirebond packaging revenue in 2011 compared to 1.5% in 2010.

In 2011, revenue contribution from the communications market increased 5.5% over 2010 to $1,011.8 million and represented 59.3% of our revenues in 2011. Revenue contribution from consumer, multi-applications and other markets in 2011 decreased 4.6% to $471.2 million compared to 2010 and represented 27.6% of our revenues in 2011. Revenue contribution from the personal computer market in 2011 decreased 0.9% to $223.5 million compared to 2010 and represented 13.1% of our revenues in 2011. 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 2011 was $289.7 million compared to $339.9 million in 2010. Gross profit as a percentage of revenues was 17.0% in 2011, compared to 20.3% in 2010. Gross profit for 2011 decreased due to higher material costs, rise in labour costs arising from appreciation of Asian currencies against United States dollar and unfavourable product mix. Overall equipment utilisation was approximately 79% in 2011 compared to 82% in 2010. Commencing with the three and six months ended 26 June 2011, we are reporting overall equipment utilisation based on total equipment operating capacity as adjusted for set-up and maintenance time. We have similarly disclosed overall equipment utilisation for 2010. We have previously reported overall equipment utilisation based on total equipment operating capacity. 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, the South Korean Won, Chinese Renminbi, Malaysian Ringgit and Thai Baht against the United States dollar.

Selling, General and Administrative
Selling, general and administrative expenses were $105.5 million in 2011, an increase of 6.9% compared to $98.7 million in 2010. In 2011, selling, general and administrative expenses were higher primarily due to higher payroll and related expenses, and the adverse effect of strengthening of Asian currencies against the United States dollar. As a percentage of revenues, selling, general and administrative expenses were 6.2% in 2011, compared to 5.9% in 2010.

Research and Development
Research and development expenses were $53.0 million in 2011 compared to $47.5 million in 2010. The increase in research and development expenses in 2011 was primarily due to an increase in research and development activities in advanced packaging, higher payroll and related expenses, and adverse effect of strengthening of Asian currencies against the United States dollar. As a percentage of revenues, research and development expenses were 3.1% in 2011, compared to 2.8% in 2010.

Write-Off of Debt Issuance Cost
In 2011, we wrote off $7.6 million of debt issuance cost pursuant to our voluntary repayment of $234.5 million on our $360.0 million senior credit facility. 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.

Tender Offer Expenses
No tender offer expenses were incurred in 2011. 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.

Restructuring Charges
No restructuring charges were incurred in 2011. In 2010, severance and related charges of $1.4 million related to the reduction of workforce by 21 employees were expensed off.

Flood Related Charges
In 2011, we incurred flood related charges totalling $55.5 million comprising of goodwill impairment of $24.5 million, plant and equipment impairment of $16.3 million, and other related charges of $14.7 million arising from the flood in Thailand. The goodwill and plant and equipment impairment were the consequence of the recent flood in Thailand where extensive equipment and facility damages severely affected the ability to support ongoing demand from customers and resulted in substantially reduced manufacturing capability and scale of our Thailand plant.

Net Interest Income (Expense)
Net interest expense was $57.9 million in 2011, compared to $41.1 million in 2010. Interest income was $1.9 million in 2011, compared to $2.3 million in 2010.

Interest expense was $59.8 million in 2011, compared to $43.5 million in 2010. 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 5.375% Senior Notes due 2016 in January 2011, 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, our redemption of the remaining $48.1 million of our 6.75% Senior Notes in November 2010 and full repayment of $310.0 million on our $360.0 million senior credit facility from November 2010 through January 2011. Total outstanding interest-bearing debt was $810.3 million and $844.2 million as of 25 December 2011 and 26 December 2010, respectively.

Foreign Currency Exchange Gain (Loss)
Net foreign currency exchange gain was $3.1 million in 2011, compared to a loss of $2.6 million in 2010. These non-cash gains and losses were due primarily to the fluctuations during 2011, compared to 2010, between the exchange rate of the United States dollar and the Singapore dollar, the South Korean Won, the Thai Baht, the Chinese Renminbi, the Malaysian Ringgit and the New Taiwan Dollar.

Other Non-Operating Income (Expense), Net
Net other non-operating income was $0.2 million in 2011, compared to net other non-operating expense of $1.6 million in 2010.

Income Tax Expense

Our consolidated income tax expense was $10.6 million in 2011, compared to $27.0 million in 2010, 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 $10.6 million tax expense in 2011 included tax benefit adjustments to the effective tax rate related to $10.4 million of tax benefit due to a change in tax estimates of tax positions in 2010. In 2011 and 2010, we incurred approximately $44.8 million and $20.4 million of non-tax deductible expenses related to our capital reduction transaction in 2010, respectively.

Balance Sheet

Total Group assets decreased $86.1 million to $2,163.8 million as of 25 December 2011 compared to 26 December 2010, mainly due to a decrease in available-for-sale financial assets by $62.0 million, short-term amount due from related party by $17.1 million, goodwill by $24.5 million and property, plant and equipment by $0.7 million, offset by an increase in inventories by $19.6 million.

The Group had cash, cash equivalents and available-for-sale financial assets of $238.1 million as of 25 December 2011 compared to $301.7 million as of 26 December 2010. The decrease in cash and cash equivalents as of 25 December 2011 compared to 26 December 2010 was mainly due to our full repayment of the $234.5 million principal outstanding from our $360.0 million senior credit facility in January 2011 which we funded from the net proceeds of the $200.0 million 5.375% Senior Notes due 2016 issued in January 2011 together with cash on hand. The decrease in goodwill by $24.5 million was due to the impairment charge related to our assembly and test operation in Thailand. The decrease in property, plant and equipment was due to depreciation of $284.7 million and $16.3 million of impairment related to our buildings and equipment in our Thailand plant, partially offset by our capital expenditure of $304.2 million. The increase in inventories was due to advance purchase of raw materials.

Total Group liabilities decreased $44.1 million to $1,178.1 million as of 25 December 2011 compared to 26 December 2010, mainly due to a decrease in total debt by $33.9 million, payables related to property, plant and equipment purchases by $22.9 million and accounts payables by $18.6 million, partially offset by an increase in accrued operating expenses by $36.8 million. The net decrease in total debts was due to our full repayment of the $234.5 million principal outstanding from our $360.0 million senior credit facility, partially offset by the issuance of $200.0 million of our 5.375% Senior Notes due 2016 and the drawdown of $20.0 million from our revolving credit facilities. The decrease in payables related to property, plant and equipment purchases and accounts payable were mainly due to timing of payment. The increase in accrued operating expenses was mainly due to the unrealised cash flow hedge liabilities and reclassification of staff severance and retirement benefit from long-term liabilities to short-term liabilities in connection with the announced plan on our Thailand plant.

Total shareholders' equity attributable to STATS ChipPAC Ltd. decreased by $20.2 million to $938.1 million mainly due to net loss of $2.5 million, foreign currency translation loss of $3.8 million and marked-to-market hedging loss arising from the changes in fair values of our cash flow hedges recorded in comprehensive income in the twelve months ended 25 December 2011 in the amount of $13.4 million.

Cash Flow Information

	Year Ended	
	25 December 2011	26 December 2010
	(In millions)	
Net cash provided by operating activities	$ 389.2	$ 465.7
Net cash used in investing activities	$ (266.2)	$ (304.8)
Net cash used in financing activities	$ (124.6)	$ (253.0)

Cash Flows From Operating Activities

In 2011, cash provided by operations was $389.2 million compared to $465.7 million in 2010. Cash provided by operations is calculated by adjusting our net income (loss) by non-cash related items such as income tax expense, depreciation and amortisation, loss or gain from sale of assets, goodwill impairment, plant and equipment impairment, loss or gain from repurchase of senior notes and tender offer expenses, write-off of debt issuance cost, foreign currency exchange loss or gain, share of profit (loss) of associate, interest income, interest expense and by changes in assets and liabilities. In 2011, non-cash related items included income tax expense of $10.6 million, $292.2 million related to depreciation and amortisation, $24.5 million related to goodwill impairment, $16.3 million related to plant and equipment impairment, $7.6 million of write-off of debt issuance costs, $2.5 million gain from the sale of equipment, $6.7 million of foreign currency exchange gains, $1.0 million loss from share of loss of associate, $1.9 million of interest income, and $59.8 million of interest expense.

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, $0.5 million income from share of profit (loss) of associate, $2.3 million of interest income and $43.5 million of interest expense.

Working capital uses of cash in 2011 included increases in inventories and other receivables, prepaid expense and other assets. Working capital sources of cash in 2011 included decreases in accounts receivables, amount due from related party and increases in accounts payable, accrued operating expenses and other payable and amount due to related parties.

In 2011, accounts receivables were lower compared to 2010 due to higher net revenues and faster collections. Higher other receivables, prepaid expense and other assets in 2011 compared to 2010 were due to increase in value-added tax receivables and prepayment on equipment leases. Additionally, accounts payable, accrued operating expenses and other payables decreased in 2011 as compared to 2010 primarily due to timing of quarterly purchases and increased unrealised cash flow hedge liabilities.

Cash Flows From Investing Activities

In 2011, cash used in investing activities was $266.2 million compared to $304.8 million in 2010. 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 $327.1 million in 2011 compared to $283.1 million in 2010. In 2011, we invested $7.0 million compared to $6.8 million in 2010, for the acquisition of software, licenses and other intangible assets. In 2011, we purchased $108.3 million of financial assets, available-for-sale, compared to $25.7 million in 2010. In 2011, we received proceeds from the sale and maturity of our marketable securities of $154.9 million compared to $6.4 million in 2010. We received $1.5 million of interest income in 2011 compared to $2.3 million in 2010.

Cash Flows From Financing Activities

In 2011, cash used in financing activities was $119.3 million, compared to $253.0 million in 2010. In 2011, $42.5 million of bank borrowings were incurred and $255.6 million of our borrowings were repaid. In 2011, $198.0 million of proceeds after deducting debt issuance cost, were received from the issuance of our $200.0 million of 5.375% Senior Notes due 2016. In 2011, we paid $54.0 million of interest expense. In 2010, $303.6 million of bank borrowings were incurred, and $94.4 million of our borrowings were repaid. In 2010, $589.7

million 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 paid $28.3 million of interest expense.

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. As of 25 December 2011, we had cash, cash equivalents and marketable securities of $238.1 million. We also have available lines of credit and banking facilities consisting of loans, overdrafts, letters of credit and bank guarantees, including those available to our consolidated subsidiaries, which amounted to an aggregate of $225.3 million, of which $156.0 million of credit facilities and $37.6 million of other banking facilities were available as of 25 December 2011. 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 25 March 2012 to be approximately $95 million to $105 million. We spent $304.2 million on capital expenditures in 2011, reflecting investments to support the growth of copper wire, advanced packaging and turnkey test demand, compared to $276.7 million in 2010.

As of 25 December 2011, our total debt outstanding consisted of $810.0 million of borrowings, which included $600.0 million of our 7.5% Senior Notes due 2015, $200.0 million of our 5.375% Senior Notes due 2016, and other long-term and short-term borrowings.

On 3 October 2011, we obtained an additional $20.0 million of credit facility from Oversea-Chinese Banking Corporation Limited to supplement the existing $10.0 million facility. The purpose of the $30.0 million credit facility is for our general corporate funding. As of 25 December 2011, there was no drawdown on this facility.

On 2 August 2011, we obtained a $30.0 million revolving credit facility from The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility is for our general corporate funding. As of 25 December 2011, we have drawn down $15.0 million in two tranches of $10.0 million and $5.0 million, respectively. The principal and interest of the two loan tranches of $15.0 million each were payable at maturity. Both these two loan tranches bore interest at the rate of 1.22% per annum. These two loan tranches were initially due to mature on 5 January 2012, which we have rolled forward for a period of one month to mature on 31 January 2012.

On 23 June 2011, STATS ChipPAC Shanghai Co., Ltd. renewed a short term loan facility from Bank of Communications Co., Ltd. with a credit limit of $12.0 million. In June 2011, we repaid the $6.0 million principal outstanding under the previous $6.0 million short term loan facility with our cash on hand. As of 25 December 2011, there was no outstanding drawdown on the $12.0 million short term loan facility.

On 26 April 2011, we obtained a $40.0 million revolving credit facility from Bank of America, NA. The purpose of the facility is for our general corporate funding. As of 25 December 2011, we have drawn down $5.0 million on the revolving credit facility. The principal and interest of the $5.0 million loan were payable at maturity. The loan bore interest at the rate of 1.37% per annum. The loan was initially due to mature on 5 January 2011, which we have rolled forward for a period of one month to mature on 31 January 2012.

On 17 March 2011, we obtained a $50.0 million revolving credit facility from DBS Bank Ltd. The purpose of the facility is for our general corporate funding. In April 2011, we drew down $10.0 million on the revolving credit facility. The principal of the $10.0 million loan was payable at maturity in July 2011. The loan bore interest at the rate of 1.03% per annum. In July 2011, we repaid the $10.0 million principal outstanding upon maturity. We funded the repayment with our cash on hand.

On 12 January 2011, we issued $200.0 million of 5.375% Senior Notes due 2016 for proceeds of $198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries, except STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively “Non-Guarantor Subsidiaries”) and our future restricted subsidiaries except where prohibited by local law. These notes are our senior unsecured obligations and are listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). On 18 January 2011, we repaid the $234.5 million outstanding principal under the $360.0 million senior credit facility with the net proceeds from the $200.0 million of 5.375% Senior Notes due 2016 and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. Prior to 31 March 2014, we may redeem all or part of these notes at any time by paying a “make-whole” premium plus accrued and unpaid interest. We may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, we may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 31 March 2014, we may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the Indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, 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.

On 8 November 2010, we obtained a $50.0 million revolving credit facility from Sumitomo Mitsui Banking Corporation, Singapore Branch. The purpose of the facility is for our general corporate funding. This facility expired in November 2011.

On 12 August 2010, we issued $600.0 million of 7.5% Senior Notes due 2015 for proceeds of $589.7 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all of our existing subsidiaries (except the Non-Guarantor Subsidiaries) and our future restricted subsidiaries (except where prohibited by local law). These notes are our senior unsecured obligations and are listed on the SGX-ST. 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 certain circumstances including a change of control as defined in the Indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions, 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.

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 favour 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. 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. 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 5.375% Senior Notes due 2016 issued on 12 January 2011 together with cash on hand. Pursuant to the repayment of the $234.5 million in January 2011, the interest rate swap contracts were terminated in 2011 and certain accounts receivable previously pledged as security for the credit facility was released on 11 March 2011. We incurred cost of $0.7 million on termination of the interest rate swap contracts in 2011.

In October 2007, we consummated the 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. We repaid the remaining outstanding principal of $6.8 million in October 2011.

STATS ChipPAC Taiwan Semiconductor Corporation has a NT$3.6 billion floating rate New Taiwan dollar term loan facility (approximately $118.9 million based on exchange rate as of 25 December 2011) 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 $23.1 million based on exchange rate as of 25 December 2011) 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 $19.8 million based on exchange rate as of 25 December 2011) loan with new credit facilities of NT$873.0 million (approximately $28.8 million as of 25 December 2011) 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 $6.6 million based on exchange rate as of 25 December 2011) of loan outstanding under these credit facilities. STATS ChipPAC Taiwan Semiconductor Corporation early repaid the remaining outstanding balance of NT$75.0 million (approximately $2.5 million based on exchange rate as of 25 December 2011) of loan in November 2011. As of 25 December 2011, STATS ChipPAC Taiwan Semiconductor has remaining NT$250.0 million (approximately $8.3 million based on exchange rate as of 25 December 2011) credit facilities available. As of 25 December 2011, there was no drawdown on these facilities.

Additionally, STATS ChipPAC Taiwan Semiconductor Corporation has a NT$0.3 billion (approximately $9.9 million as of 25 December 2011) credit facility with Mega Bank. STATS ChipPAC Semiconductor Corporation early repaid the remaining outstanding balance of NT$34.1 million (approximately $1.1 million based on exchange rate as of 25 December 2011) in November 2011. This loan was secured by a pledge of land and building with a combined net book value of $6.3 million as of 25 December 2011. The pledge was released on 19 January 2012.

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 favourable market conditions to raise additional financing. We may also from time to time seek to refinance our outstanding debt, or retire or purchase our outstanding debt through cash purchases and/or exchanges for securities, in the open market purchases, privately negotiated transactions or otherwise. From time to time, we may make acquisitions of, or investments in, other companies and businesses that we believe could expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Such additional financing, refinancing, repurchases, exchanges, acquisitions or investments, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

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

Off-Balance Sheet Arrangements

We have no significant investment in any unconsolidated entities. Our off-balance sheet commitments are limited to operating leases, royalty/license agreements and purchase obligations. Our total off-balance sheet obligations were approximately $238.3 million as of 25 December 2011.

Contractual Obligations

Our total commitments on our loans, operating leases, other obligations and agreements as of 25 December 2011 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
5.375% Senior Notes due 2016 (1)	–	–	200.0	–	200.0
Short-term loans (1)	20.0	–	–	–	20.0
Retirement benefits	10.4	0.2	0.2	–	10.8
Other non-current liabilities (2)	–	–	–	–	–
Total on balance sheet commitments	$ 30.4	$ 0.2	$ 800.2	$ –	$ 830.8
Off balance sheet commitments:					
Operating leases	$ 22.9	$ 24.7	$ 5.9	$ 5.2	$ 58.7
Royalty/ licensing agreements	7.8	15.7	15.7	0.8	40.0
Purchase obligations:					
- Capital commitments	66.5	–	–	–	66.5
- Inventory purchase commitments	73.1	–	–	–	73.1
Total off balance sheet commitments	$ 170.3	$ 40.4	$ 21.6	$ 6.0	$ 238.3
Total commitments	$ 200.7	$ 40.6	$ 821.8	$ 6.0	$ 1,069.1

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 $55.8 million, $111.5 million and $61.1 million, respectively.

(2) Our other non-current liabilities as of 25 December 2011 were $1.8 million, including $0.5 million related to non-current retirement benefits for our employees in Malaysia. Also included in the other non-current liabilities is $1.3 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 for the financial year ended 25 December 2011 with specific reference to the principles of the Singapore Code of Corporate Governance 2005 (the "**Code**").

1. Board Matters

- Principle 1: 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 expenditure, and the acquisition and disposal of investments. Apart from matters that specifically require the Board's approval, such as the issuance of shares, dividend distributions and other returns to shareholders, the Board approves transactions exceeding certain threshold limits while delegating authority for transactions below those limits to Board committees and management so as to optimise operational efficiency.

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 25 December 2011 are set out below:

	Meeting attendance in %				
Type of Meetings	Board	Audit Committee	Executive Resource and Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Name of Directors	4 meetings	5 meetings	4 meetings	3 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
Rohit Sipahimalani	100				100

Tan Lay Koon, an 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 are Mr. Teng Cheong Kwee and Mr. Rohit Sipahimalani.

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

- Principle 2: Board Composition and Guidance

The Board comprises six directors. Four 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 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 are considered by the Board to be independent under the Code are Mr. Charles R. Wofford, Mr. Peter Seah, Mr. R. Douglas Norby and Mr. Teng Cheong Kwee.

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 are 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 (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.

- Principle 3: 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.

- Principle 4: 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-elected 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 are Mr. Peter Seah and Mr. Teng Cheong Kwee.

- Principle 5: 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.

- Principle 6: 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

- Principles 7, 8 & 9: 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 are Mr. Peter Seah and Mr. R. Douglas Norby. The duties and responsibilities of the ERCC include the following:

- considering, reviewing, and recommending to the Board, the Company's framework of remuneration for CEO, any other executive directors and the non-executive directors and the specific remuneration packages for the CEO, any other executive directors and each non-executive directors;
- considering, reviewing, varying (if necessary) and approving the entire specific remuneration framework and specific packages for senior management;
- reviewing and making recommendations to the Board the design of any option plans, stock plans and other equity-based plans; and

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

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, retain and motivate employees to ensure the Company has a committed and talented pool of human resources.
(c) remuneration packages and norms within the industry and comparable companies.

The CEO, as an executive director, is remunerated as a member of the management and does not receive director's fees from STATS ChipPAC. His compensation consists of a base salary, allowances, performance-related bonuses and conditional share awards. The vesting of the conditional share awards granted to the CEO under the STATS ChipPAC Ltd. Performance Share Plan 2009, as amended, 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 in aggregate is subject to shareholders' approval at the AGM.

The annual remuneration of the non-executive directors of the Company are set out below for the financial year ended 25 December 2011.

Non-Executive Directors Compensation

Number of Non-Executives Directors in Remuneration Bands Denominated in Singapore Dollars	**2011**
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$130,000
Peter Seah Lim Huat	Director NC & ERCC Member	US$48,000
R. Douglas Norby	Director AC Chairman ERCC Member	US$71,000
Teng Cheong Kwee	Director EC, NC & AC Member	US$58,000
Tokumasa Yasui(1)	Director AC Member	US$22,670
Rohit Sipahimalani(2)	Director EC Member AC Member	US$49,500
TOTAL		**US$379,170**

(1) Mr. Tokumasa Yasui resigned as Director on 21 April 2011 and accordingly, ceased to be a member of AC.
(2) Mr. Rohit Sipahimalani is employed by Temasek and the directors' fees are paid to Temasek. He was appointed as a member of AC in July 2011.

The compensation for the financial year ended 25 December 2011 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	82	18	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 2011 are set out below. 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	2011
2,500,000 to 2,749,999	1
1,250,000 to 1,499,999	2
750,000 to 999,999	1
500,000 to 749,999	2

	Fixed (%)[1]	Variable (%)[2]	Total (%)
CEO and Executive Director			
Tan Lay Koon	41	59	100
Key Executives			
Han Byung Joon	58	42	100
Wan Choong Hoe	55	45	100
Hal Lasky	60	40	100
John Lau Tai Chong	75	25	100
Janet T. Taylor	74	26	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 25 December 2011. 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 25 December 2011. 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

- Principle 10: 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 from two weeks before the end of any fiscal quarter and ending two trading days after the public release of earnings data for the quarter if they are in possession of material non-public information. Directors, officers and employees at a certain level of seniority and above are deemed to be in possession of material non-public information for purpose of applying the trading restrictions during such period. 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.

- Principle 11: 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 are Mr. Teng Cheong Kwee and Mr. Rohit Sipahimalani. In April 2011, Mr. Tokumasa Yasui resigned from the Board and accordingly, ceased to be a member of the AC. Mr. Rohit Sipahimalani was appointed to the AC in July 2011. All of the members and the Chairman of the AC are non-executive directors with accounting and financial management expertise and each of Mr. R. Douglas Norby and Mr. Teng Cheong Kwee are determined by the Board to be independent under the Code.

The duties and responsibilities of the AC include the following:

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

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

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

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

- Principle 12: 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 to meet the needs of the Company in its current business environment.

- Principle 13: 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 with the concurrence of the AC is of the opinion that the internal controls, including financial, operational and compliance controls are adequate to meet the needs of the Company in its current business environment.

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

4. Communication with Shareholders

- Principle 14: Communication with Shareholders

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

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

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

- Principle 15: 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 not more than two proxies to attend and vote on behalf of the shareholder in his/her absence. Voting in absentia is not allowed.

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

DIRECTORS' REPORT AND **FINANCIAL STATEMENTS**

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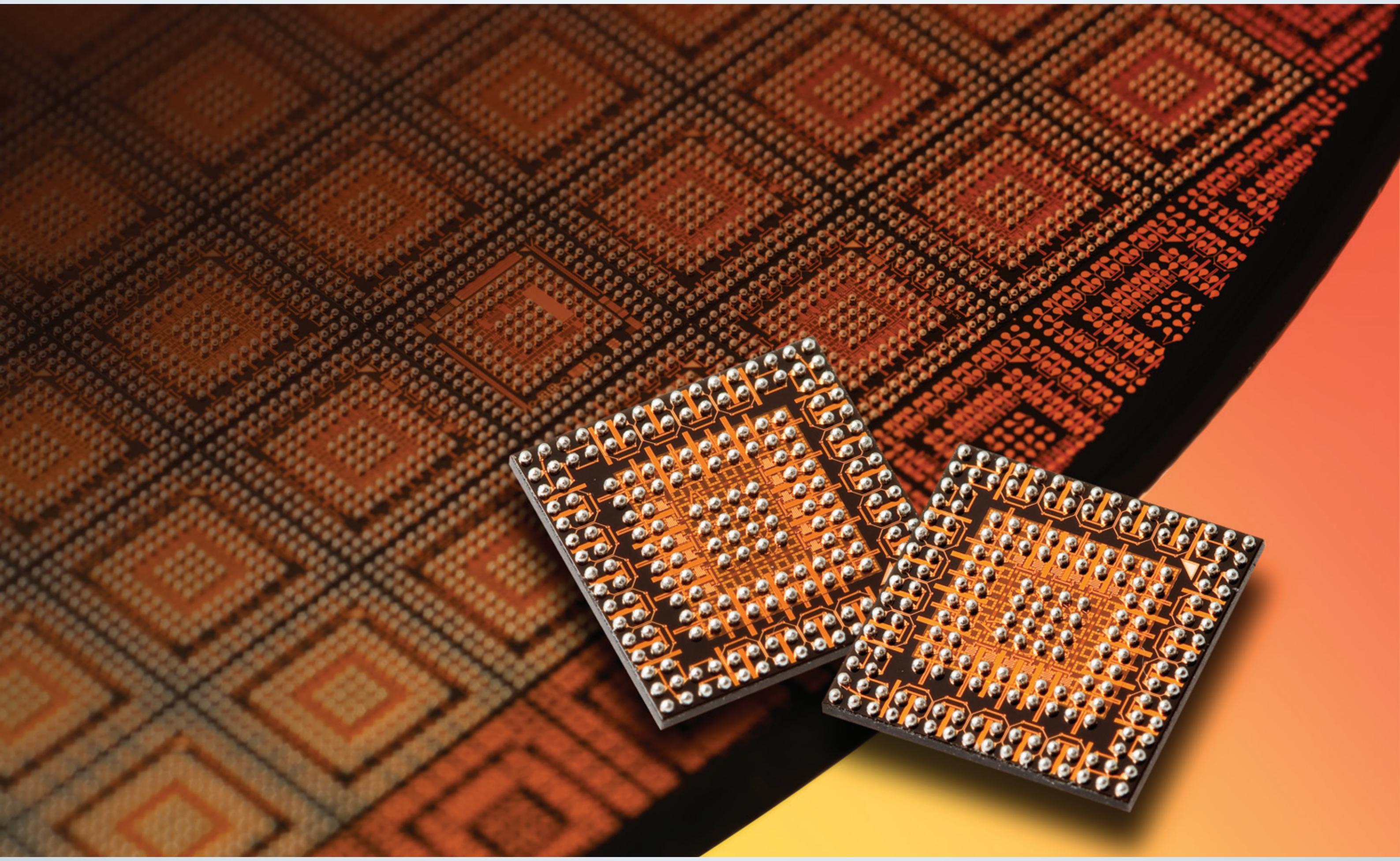

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 25 December 2011 and the unconsolidated statement of financial position of the Company as at 25 December 2011.

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	
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	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 25 December 2011

Directors' interests in shares or debentures (continued)

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

Singapore Technologies Engineering Limited – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	391,483	494,108

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	33,375	--	3.01	10/02/2007 to 09/02/2011
	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 – Unvested restricted shares

	At Beginning of Year	At End of Year	Performance Period
Peter Seah Lim Huat	5,358 (1)	--	01/01/2008 to 31/12/2008 (1)
	13,034 (1)	6,517 (1)	01/01/2009 to 31/12/2009 (1)

Singapore Technologies Engineering Limited – Time-based restricted shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	24,000 (2)	--

Starhub Ltd – Fully paid ordinary shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	482,110	519,022

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

Directors' interests in shares or debentures (continued)

Starhub Ltd – Unvested restricted shares

	At Beginning of Year	At End of Year	Performance Period
Peter Seah Lim Huat	8,312[(1)]	--	01/01/2007 to 31/12/2008[(1)]
	5,740[(1)]	2,740	01/01/2008 to 31/12/2009[(1)]

Starhub Ltd – Conditional award of restricted shares

	At Beginning of Year	At End of Year	Vesting Date
Peter Seah Lim Huat	0 to 19,000[(3)]	10,930[(1)]	To be delivered after 2010

Starhub Ltd – Time-based restricted shares

	At Beginning of Year	At End of Year
Peter Seah Lim Huat	20,000[(4)]	--

Telechoice International Limited – Fully paid ordinary shares

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

Notes:

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

(2) The shares under the time-based restricted award were awarded on 28 March 2011.

(3) The actual number of shares to be delivered under the conditional award will depend on the level of achievement of set performance targets in the company 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. For this period 5,600 new shares were awarded on 5 April 2011 upon partial achievement of targets set. The balance of the conditional award covering the period from 1 January 2009 to 31 December 2010 has thus lapsed.

(4) The shares under the time-based restricted awards were awarded on 18 May 2011.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and 15 January 2012.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 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.

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. Performance Share Plan 2009, as amended 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 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 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 25 December 2011	Aggregate options exercised since commencement of the Substitute Plans to 25 December 2011	Aggregate options outstanding as at 25 December 2011
Charles R. Wofford	--	--	--	--
Tan Lay Koon	--	--	--	--
Peter Seah Lim Huat	--	--	--	--
R. Douglas Norby	--	435,000	435,000	--
Teng Cheong Kwee	--	--	--	--
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.

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

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

Number of optionholders	Exercise Period From	Exercise Period To	Total	Exercise Price (S$)
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			**59,733**	

(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, 18,070,075 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 25 December 2011	Aggregate options exercised since commencement of the Share Option Plan to 25 December 2011	Aggregate options outstanding as at 25 December 2011
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	--	--
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.

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

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

Number of optionholders	Exercise Period From	Exercise Period To	Total	Exercise Price (S$)
141	29/04/2003	28/04/2012	1,353,300	2.885
1	26/06/2003	25/06/2012	2,000,000	2.20
90	06/08/2004	05/08/2013	2,317,800	1.99
96	17/02/2005	16/02/2014	1,350,775	1.91
9	11/08/2005	10/08/2014	17,501	1.06
9	03/05/2006	02/05/2015	28,446	1.01
11	31/10/2006	30/10/2015	32,571	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			**7,225,550**	

(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, 63,083,798 options have lapsed.

The STATS ChipPAC Ltd. Performance Share Plan 2009, as amended (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. It was amended in 2011 to increase the Company's effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to ensure that the participant's interests continue to be aligned with shareholders.

(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 30 December 2012.

(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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

(vii) The maximum permissible number of the Company's ordinary shares which could be issued pursuant to awards granted under the PSP 2009 are as follows:

(a) an aggregate of up to 0.75% of the outstanding shares in the event of a vesting of Performance Shares which occurs on or before 25 December 2011;

(b) an aggregate of up to 2.50% of the outstanding shares in the event of a vesting of Performance Shares which occurs between 26 December 2011 and 24 June 2012 (both dates inclusive); and

(c) an aggregate of up to 3.25% of the outstanding shares in the event of a vesting of Performance Shares which occurs between 25 June 2012 and 30 December 2012 (both dates inclusive).

(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.

(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 25 December 2011	Conditional awards vested during the financial year	Aggregate conditional awards outstanding as at 25 December 2011
Director and CEO of the Company Tan Lay Koon	--	up to 7,691,329*	--	up to 7,691,329*
Group Executives (excluding Tan Lay Koon)	--	up to 26,975,000#	--	up to 26,975,000#

* Following the amendments made to the PSP 2009 at the Annual General Meeting held in 2011, the number of conditional awards granted to Tan Lay Koon was adjusted from (0 to 19,819,964) to (0 to 7,691,329).
# Following the amendments made to the PSP 2009 at the Annual General Meeting held in 2011, the number of conditional awards granted to the Group Executives was adjusted from (0 to 69,000,000) to (0 to 26,975,000)

(x) Since the commencement of the PSP 2009 to the financial year ended 25 December 2011, contingent awards of up to 34,666,329 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.

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

DIRECTORS' REPORT
For the financial year ended 25 December 2011

(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 25 December 2011, 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 25 December 2011

Audit Committee

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

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

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

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

Auditors

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

On behalf of the Board of Directors

Charles R. Wofford
Chairman

Tan Lay Koon
President and Chief Executive Officer

Singapore
28 February 2012

STATS CHIPPAC LTD. AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS
For the financial year ended 25 December 2011

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 41 to 96 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company at 25 December 2011, 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
28 February 2012

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 41 to 96, which comprise the consolidated balance sheet of the group and balance sheet of the Company as at 25 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 25 December 2011, 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, 28 February 2012

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	25 December 2011 $'000	26 December 2010 $'000
ASSETS			
Current assets:			
Cash and cash equivalents	5	194,811	196,395
Financial assets, available-for-sale	6	43,249	88,642
Accounts receivable, net	7	223,082	230,777
Other receivables	8	13,879	9,435
Inventories	9	89,434	69,791
Prepaid expenses and other current assets		19,129	17,227
Short-term amounts due from related party	30	–	17,105
Total current assets		583,584	629,372
Non-current assets:			
Financial assets, available-for-sale	6	–	16,646
Property, plant and equipment, net	10	1,123,061	1,123,809
Investment in associate	11	8,407	8,104
Intangible assets	12	37,179	38,857
Goodwill	13	405,587	430,134
Long-term restricted cash		410	416
Prepaid expenses and other non-current assets		5,550	2,578
Total non-current assets		1,580,194	1,620,544
Total assets		2,163,778	2,249,916
LIABILITIES			
Current liabilities:			
Accounts and other payable		132,852	151,473
Payables related to property, plant and equipment purchases		19,864	42,734
Accrued operating expenses	14	150,342	113,584
Income taxes payable		13,344	12,385
Short-term borrowings	16	20,000	61,768
Short-term amounts due to related parties	30	28	22
Total current liabilities		336,430	381,966
Non-current liabilities:			
Long-term borrowings	16	790,339	782,434
Deferred tax liabilities	15	49,509	44,335
Other non-current liabilities	18	1,805	13,467
Total non-current liabilities		841,653	840,236
Total liabilities		1,178,083	1,222,202
EQUITY			
Share capital	24	873,666	873,666
Retained earnings		82,408	84,910
Other reserves	25	(17,981)	(278)
Equity attributable to equity holders of STATS ChipPAC Ltd.		938,093	958,298
Non-controlling interest		47,602	69,416
Total equity		985,695	1,027,714
Total liabilities and equity		2,163,778	2,249,916

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 25 December 2011 $'000	Year Ended 26 December 2010 $'000
Net revenues		1,706,500	1,677,834
Cost of revenues		(1,416,833)	(1,337,950)
Gross profit		289,667	339,884
Operating expenses:			
Selling, general and administrative		105,541	98,744
Research and development		52,962	47,462
Write-off of debt issuance costs		7,593	1,970
Tender offer expense		–	3,107
Restructuring charges	27	–	1,421
Total operating expenses		166,096	152,704
Operating income before flood related charges		123,571	187,180
Flood related charges	20	55,504	–
Operating income after flood related charges		68,067	187,180
Other income (expenses), net:			
Interest income		1,912	2,328
Interest expense		(59,772)	(43,460)
Foreign currency exchange gain (loss)		3,086	(2,587)
Share of profit (loss) of associate		(1,045)	465
Other non-operating income (expense), net	22	168	(1,601)
Total other expenses, net		(55,651)	(44,855)
Income before income taxes		12,416	142,325
Income tax expense	15	(10,594)	(26,977)
Net income for the year		1,822	115,348
Less: Net income attributable to the non-controlling interest		(4,324)	(7,370)
Net income (loss) attributable to STATS ChipPAC Ltd.		(2,502)	107,978
Net income (loss) per ordinary share attributable to STATS ChipPAC Ltd.:	23		
– Basic		$ (0.00)	$ 0.05
– Diluted		$ (0.00)	$ 0.05

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 25 December 2011 $'000	26 December 2010 $'000
Net income for the year		1,822	115,348
Other comprehensive income (loss):			
Available-for-sale financial assets	25	(453)	220
Cash flow hedges	25	(13,446)	797
Foreign currency translation adjustment	25	(3,486)	10,446
Comprehensive income (loss), net of tax		(17,385)	11,463
Total comprehensive income (loss), net of tax		(15,563)	126,811
Total comprehensive income (loss), net of tax attributable to:			
STATS ChipPAC Ltd.		(20,205)	114,387
Non-controlling interest		4,642	12,424
		(15,563)	126,811

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	Non-controlling Interest $'000	Total Equity $'000
2011								
Balances at 27 December 2010	873,666	84,910	(848)	117	453	958,298	69,416	1,027,714
Total comprehensive income (loss), net of tax	–	(2,502)	(3,804)	(13,446)	(453)	(20,205)	4,642	(15,563)
Dividends paid by subsidiary	–	–	–	–	–	–	(3,783)	(3,783)
Capital distribution by subsidiary	–	–	–	–	–	–	(22,673)	(22,673)
Balances at 25 December 2011	873,666	82,408	(4,652)	(13,329)	–	938,093	47,602	985,695
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, 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)
Balances at 26 December 2010	873,666	84,910	(848)	117	453	958,298	69,416	1,027,714

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Cash Flows From Operating Activities		
Net income for the year	1,822	115,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Income tax expense	10,594	26,977
Depreciation and amortisation	292,198	277,717
Gain on sale of property, plant and equipment	(2,546)	(519)
Goodwill impairment	24,547	–
Plant and equipment impairment	16,313	–
Loss from repurchase of senior notes and tender offer expenses	–	4,185
Write-off of debt issuance costs	7,593	1,970
Foreign currency exchange (gain) loss	(6,655)	2,605
Share-based compensation expense	–	146
Share of (profit) loss of associate	1,045	(465)
Interest income	(1,912)	(2,328)
Interest expense	59,772	43,460
Others	(835)	680
Changes in working capital:		
Accounts receivable	7,695	(22,011)
Amounts due from related parties	17,105	3,790
Inventories	(19,643)	(7,932)
Other receivables, prepaid expense and other assets	(19,742)	(262)
Accounts payable, accrued operating expenses and other payables	5,467	23,122
Amounts due to related parties	6	5
Income tax paid	(3,584)	(785)
Net cash provided by operating activities	389,240	465,703
Cash Flows From Investing Activities		
Proceeds from sales of financial assets, available-for-sale	16,656	–
Proceeds from maturity of financial assets, available-for-sale	154,894	6,411
Purchases of financial assets, available-for-sale	(108,254)	(25,707)
Acquisition of intangible assets	(6,982)	(6,760)
Purchases of property, plant and equipment	(327,101)	(283,114)
Interest received	1,493	2,278
Others, net	3,085	2,110
Net cash used in investing activities	(266,209)	(304,782)
Cash Flows From Financing Activities		
Repayment of short-term debts	(29,500)	(56,000)
Repayment of long-term debts	(255,597)	(94,443)
Proceeds from issuance of senior notes, net of expenses	197,964	589,745
Repurchase and redemption of senior notes	–	(366,107)
Proceeds from bank borrowings, net of expenses	42,520	303,621
Capital reduction	–	(600,000)
Capital reduction by subsidiary to non-controlling interest	(22,673)	–
Distribution to non-controlling interest in subsidiary	(3,654)	(1,681)
Grants received	342	197
Interest paid	(54,038)	(28,271)
Increase (decrease) in restricted cash	6	(32)
Net cash used in financing activities	(124,630)	(252,971)
Net decrease in cash and cash equivalents	(1,599)	(92,050)
Effect of exchange rate changes on cash and cash equivalents	15	(238)
Cash and cash equivalents at beginning of the year	196,395	288,683
Cash and cash equivalents at end of the year	194,811	196,395

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 Singapore, South Korea, 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, Singapore, South Korea, China, Malaysia, Thailand, Taiwan, Japan, Switzerland and United Kingdom.

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

2. Presentation of Financial Statements

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

The financial statements for the year ended 25 December 2011 (including comparatives) were approved and authorised for issue by the board of directors on 28 February 2012.

3. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

(b) Changes in Significant Accounting Policies and Disclosure

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 26 December 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 12 – Deferred Tax: Recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012)

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 31 December. STATS ChipPAC's fiscal quarters end on a Sunday and are generally thirteen weeks in length. Fiscal year 2011, a 52-week year, ended on 25 December 2011, and fiscal year 2010, a 52-week year, ended on 26 December 2010. Unless otherwise stated, all years and dates refer to STATS ChipPAC's fiscal years.

STATS CHIPPAC LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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.

(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 LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(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 date of acquisition. Management considered a number of factors when estimating fair value, including appraisals, discounted cash flow analysis, estimated royalty rates and appropriate market comparables.

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

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

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(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:

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

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

(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.

(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.

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

(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.

(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

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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.

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

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

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

(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 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.

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Valuation of Inventory

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

Depreciation and Amortisation

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

Valuation of Property, Plant and Equipment

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

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

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

Deferred Tax Asset and Uncertain Income Tax Positions

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

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

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

	25 December 2011 $'000	26 December 2010 $'000
Cash at banks and on hand	129,063	143,927
Cash equivalents		
Bank fixed deposits	36,267	31,350
Money market funds	29,481	21,118
	194,811	196,395

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.

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6. Financial Assets, Available-for-Sale

	25 December 2011 $'000	26 December 2010 $'000
Quoted marketable securities		
- Corporate notes	–	16,646
	–	16,646
Unquoted marketable securities		
- Bank fixed deposits	43,249	88,642
	43,249	88,642
Total	43,249	105,288

The corporate notes were 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	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	105,288	79,441
Currency translation differences	1,247	6,331
Additions	108,254	25,707
Disposal	(171,530)	(6,411)
Fair value gains (losses) recognised in other reserves (Note 25 (b))	(10)	220
End of financial year	43,249	105,288
Less: current amount	43,249	88,642
Non-current amount	–	16,646

7. Accounts Receivable

	25 December 2011 $'000	26 December 2010 $'000
Accounts receivable – third parties, net of allowance for sales returns	223,605	232,045
Less: Allowance for impairment	(523)	(1,268)
Accounts receivable, net	223,082	230,777

Accounts receivable with a carrying amount of nil (2010: $196.3 million) have been pledged as security against bank borrowings of the Group.

8. Other Receivables

	25 December 2011 $'000	26 December 2010 $'000
Deposits and staff advances	1,634	906
Taxes receivable	11,266	3,921
Grants receivable	–	130
Other receivables	979	4,478
	13,879	9,435

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9. Inventories

	25 December 2011 $'000	26 December 2010 $'000
Raw materials	75,815	56,829
Work-in-progress	12,717	12,105
Finished goods	902	857
	89,434	69,791

Inventories recognised in cost of revenues during 2011 amounted to $674.1 million (2010: $646.3 million). In 2011, $4.7 million of damaged inventories charges were recorded as a consequence of the flood in Thailand. There was no charge incurred in 2010.

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 27 December 2010	11,323	19,864	296,983	2,489,003	2,817,173
Additions	–	–	23,942	280,289	304,231
Disposal/write-off	–	–	(5,097)	(91,089)	(96,186)
Currency translation differences	(84)	–	(280)	(2,214)	(2,578)
Balances at 25 December 2011	11,239	19,864	315,548	2,675,989	3,022,640
Accumulated depreciation and impairment losses					
Balances at 27 December 2010	–	3,949	121,405	1,568,010	1,693,364
Additions	–	410	17,895	266,411	284,716
Disposal/write-off	–	–	(4,471)	(88,283)	(92,754)
Impairment charge	785	–	2,080	13,448	16,313
Currency translation differences	–	–	(232)	(1,828)	(2,060)
Balances at 25 December 2011	785	4,359	136,677	1,757,758	1,899,579
Net book value at 25 December 2011	10,454	15,505	178,871	918,231	1,123,061

	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
Disposal/write-off	–	–	(868)	(38,392)	(39,260)
Currency translation differences	490	–	1,595	13,193	15,278
Balances at 26 December 2010	11,323	19,864	296,983	2,489,003	2,817,173
Accumulated depreciation and impairment losses					
Balances at 28 December 2009	–	3,538	104,185	1,341,259	1,448,982
Additions	–	411	17,020	252,622	270,053
Disposal/write-off	–	–	(871)	(35,792)	(36,663)
Currency translation differences	–	–	1,071	9,921	10,992
Balances 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

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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.

In 2011, impairment charges of $16.3 million were recorded as a consequence of the flood in Thailand which resulted in extensive equipment and facility damages beyond economic restoration. No impairment charge was incurred in 2010.

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"), which subsidiary, Wuxi CR Micro-Assembly Technology Ltd. ("ANST"), has principal business in the provision of assembly and test services in Wuxi, China.

During the year, a shareholder of MAT, Wuxi China Resources Microelectronics Co., Ltd., subscribed to a 20% equity interest in ANST, which reduced MAT's equity holding in ANST from 100% to 80%. As a result of the reduction in equity interest, the Company's indirect equity interest in ANST was diluted from 25% to 20% and deemed gain of $1.3 million was recognised on dilution of interest in ANST.

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	8,104	7,743
Currency translation differences	(1)	(104)
Share of profit (loss)	(1,045)	465
Deemed dilution	1,349	–
End of financial year	8,407	8,104

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

	25 December 2011 $'000	26 December 2010 $'000
Assets	108,759	106,468
Liabilities	56,659	66,295
Revenue	95,192	100,889
Net profit (loss)	(5,190)	1,862

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

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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 27 December 2010	7,700	32,000	99,300	54,711	193,711
Additions	–	–	–	6,982	6,982
Disposal/write-off	–	–	–	(3,314)	(3,314)
Currency translation differences	–	–	–	9	9
Balances at 25 December 2011	7,700	32,000	99,300	58,388	197,388
Accumulated amortisation					
Balances at 27 December 2010	7,058	20,533	99,300	27,963	154,854
Additions	642	3,200	–	3,640	7,482
Disposal/write-off	–	–	–	(2,821)	(2,821)
Impairment charge	–	–	–	671	671
Currency translation differences	–	–	–	23	23
Balances at 25 December 2011	7,700	23,733	99,300	29,476	160,209
Net book value at 25 December 2011	–	8,267	–	28,912	37,179

	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
Disposal/write-off	–	–	–	(146)	(146)
Currency translation differences	–	–	–	192	192
Balances 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
Disposal/write-off	–	–	–	(71)	(71)
Currency translation differences	–	–	–	349	349
Balances 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

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

	25 December 2011 $'000	26 December 2010 $'000
Cost of sales	1,364	1,382
Selling, general and administrative expenses	1,743	2,405
Research and development expenses	4,375	3,877
	7,482	7,664

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13. Goodwill

The carrying amounts of goodwill resulted from the acquisition of STATS ChipPAC Taiwan Semiconductor Corporation in 2001, ChipPAC, Inc. in 2004 and STATS ChipPAC (Thailand) Limited in 2007.

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:

	25 December 2011 $'000	26 December 2010 $'000
Korea	247,747	247,747
China	79,305	79,305
Malaysia	77,214	77,214
Thailand	—	24,547
Taiwan	1,321	1,321
	405,587	430,134

In 2011, 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, with exception of its cash-generating unit in Thailand, goodwill was not impaired. No impairment charge was incurred in 2010.

The Group impaired goodwill amounting to $24.5 million in 2011 as a consequence of the flood in Thailand where extensive equipment and facility damages beyond economic restoration severely affected the ability to support ongoing demand from customers and resulted in substantially reduced manufacturing capability and scale of its Thailand plant.

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:

	Year ended	
	25 December 2011	26 December 2010
Terminal growth rates	3%	3%
Discount rates	18% - 22%	16% - 22%

As the recoverable amount was significantly higher than the carrying amount of the cash-generating units in Korea, China, Malaysia and Taiwan, 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

	25 December 2011 $'000	26 December 2010 $'000
Staff costs and accrued restructuring charges	70,882	55,322
Purchase of raw materials	7,956	9,235
Maintenance fees, license fees and royalties	2,561	3,802
Interest expense	19,097	17,230
Accruals for vacation liability	3,039	2,964
Forward contracts payable	14,925	744
Other accrued operating expenses	31,882	24,287
	150,342	113,584

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15. Income Taxes

Income tax expense consists of the following:

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Current tax:		
Singapore	832	—
Foreign	3,965	10,445
Total current tax	4,797	10,445
Deferred tax:		
Singapore	1,045	5,110
Foreign	4,752	11,422
Total deferred tax	5,797	16,532
	10,594	26,977

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

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Income tax expense computed at Singapore statutory rate of 17.0% (2010: 17.0%)	2,111	24,196
Non-deductible expenses	18,279	5,152
Non-taxable income, including income exemption	(4,405)	(8,416)
Differences in tax rates, including undistributed earnings	6,883	14,217
Effect of recognising deferred tax assets at concessionary tax rate and tax credits	(1,696)	(1,768)
Effect of change in foreign statutory tax rate on deferred tax assets	(5,328)	(860)
Taxable foreign exchange adjustment and foreign net operating loss	(4,348)	(2,158)
Utilisation of previously unrecognised tax benefits and other items, net	(902)	(3,386)
Income tax expense	10,594	26,977

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

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Fair value gains (losses) and reclassification adjustments on cash flow hedges	(605)	22
Other comprehensive income (loss)	(605)	22

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:

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	25 December 2011 $'000	26 December 2010 $'000
Deferred tax assets:		
Operating loss carryforwards	1,418	990
Investment, and research and development tax credits	5,264	11,687
Others	5,956	3,545
	12,638	16,222
Deferred tax liabilities:		
Property, plant and equipment	28,750	34,881
Allowances and reserves	9,528	7,907
Uncertain tax position and others	23,869	17,769
	62,147	60,557
Net deferred tax assets (liabilities)	(49,509)	(44,335)

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:

	25 December 2011 $'000	26 December 2010 $'000
Deferred tax assets:		
To be recovered within one year	—	—
To be recovered after one year	—	—
	—	—
Deferred tax liabilities:		
To be settled within one year	852	2,677
To be settled after one year	48,657	41,658
	49,509	44,335

In 2011 and 2010, the Group had approximately $91.4 million and $103.3 million, respectively, of unrecognised tax losses available to offset against future taxable income, certain amounts of which will expire in varying amounts from 2012 to 2027.

In 2011 and 2010, the Group had unrecognised research and development, unutilised capital allowances, investment tax credits and reinvestment allowance, in the aggregate of $435.0 million and $437.5 million, respectively, which can be used to offset income tax payable in future years. Certain credits will expire in varying amounts from 2012 through 2016.

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

In 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 concessionary tax rate of 5% will lapse on the tax incentive expiry in June 2012.

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

Deferred tax assets

	Operating Loss Carry Forwards $'000	Investments, Research and Development Tax Credits, and Reinvestment Allowance $'000	Others $'000	Total $'000
Balances at 27 December 2010	990	11,687	3,545	16,222
Credits (charges) to:				
Income Statement	428	(6,443)	2,015	(4,000)
Hedging Reserve	—	—	396	396
Currency translation differences	—	20	—	20
Balances at 25 December 2011	1,418	5,264	5,956	12,638
Balances at 28 December 2009	3,030	9,152	8,740	20,922
Credits (charges) to:				
Income Statement	(2,040)	2,411	(5,293)	(4,922)
Hedging Reserve	—	—	(22)	(22)
Currency translation differences	—	124	120	244
Balances at 26 December 2010	990	11,687	3,545	16,222

Deferred tax liabilities

	Property, Plant and Equipment $'000	Allowances and Reserves $'000	Uncertain Tax Position and Others $'000	Total $'000
Balances at 27 December 2010	34,881	7,907	17,769	60,557
Charges (credits) to:				
Income Statement	(6,137)	1,621	6,313	1,797
Hedging Reserve	—	—	(209)	(209)
Currency translation differences	6	—	(4)	2
Balances at 25 December 2011	28,750	9,528	23,869	62,147
Balances at 28 December 2009	32,390	1,669	14,748	48,807
Charges to Income Statement	2,351	6,238	3,021	11,610
Currency translation differences	140	—	—	140
Balances at 26 December 2010	34,881	7,907	17,769	60,557

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16. Borrowings

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

	25 December 2011 $'000	26 December 2010 $'000
7.5% senior notes due 2015	591,956	590,144
5.375% senior notes due 2016	198,383	—
Senior credit facility	—	226,789
6.0% promissory note	—	6,800
U.S. dollars revolving credit facilities at floating rates	20,000	6,000
Taiwan dollar loans and commercial papers at floating rates	—	14,469
Total borrowings	810,339	844,202
Less: borrowings repayable within one year	20,000	61,768
Long-term borrowings	790,339	782,434

On 2 August 2011, the Company obtained a $30.0 million revolving credit facility from The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility is for general corporate funding. As of 25 December 2011, the Company has drawn down $15.0 million in two tranches of $10.0 million and $5.0 million, respectively. The principal and interest of the two loan tranches of $15.0 million each were payable at maturity. Both these two loan tranches bore interest at the rate of 1.22% per annum. These two loan tranches were initially due to mature on 31 January 2012, which we have rolled forward for a period of one month to mature on 28 February 2012.

On 26 April 2011, the Company obtained a $40.0 million revolving credit facility from Bank of America, NA. The purpose of the facility is for general corporate funding. As of 25 December 2011, the Company has drawn down $5.0 million on the revolving credit facility. The principal and interest of the $5.0 million loan was payable at maturity. The loan bore interest at the rate of 1.37% per annum. The loan were initially due to mature on 31 January 2012, which we have rolled forward for a period of one month to mature on 28 February 2012.

On 12 January 2011, the Company issued $200.0 million of 5.375% Senior Notes due 2016 for proceeds of $198.0 million after deducting debt issuance cost. These notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by all existing subsidiaries, except STATS ChipPAC Shanghai Co. Ltd., STATS ChipPAC Semiconductor Shanghai Co., Ltd. and STATS ChipPAC Taiwan Semiconductor Corporation (collectively "Non-Guarantor Subsidiaries") and future restricted subsidiaries except where prohibited by local law. These notes are senior unsecured obligations and are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 18 January 2011, the Company repaid the $234.5 million outstanding principal under the $360.0 million senior credit facility with the net proceeds from the $200.0 million of 5.375% Senior Notes due 2016 and cash on hand. These notes will mature on 31 March 2016, bearing interest at the rate of 5.375% per annum payable semi-annually on 31 March and 30 September of each year, commencing 31 March 2011. Prior to 31 March 2014, the Company may redeem all or part of these notes at any time by paying a "make-whole" premium plus accrued and unpaid interest. The Company may redeem all, but not less than all, of these notes at any time in the event of certain changes affecting withholding taxes at 100% of their principal amount plus accrued and unpaid interest. On or after 31 March 2014, the Company may redeem all or a part of these notes at any time at the redemption prices specified under the terms and conditions of these notes plus accrued and unpaid interest. In addition, prior to 31 March 2014, the Company may redeem up to 35% of these notes with the net proceeds from certain equity offerings. Upon certain circumstances including a change of control as defined in the Indenture related to these notes, we may be required to offer to purchase these notes at 101% of their principal amount plus accrued and unpaid interest. The STATS ChipPAC consolidated group, with the exception of STATS ChipPAC Taiwan Semiconductor Corporation, are subject to the covenant restrictions, 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.

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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.

On 18 May 2010, the Company 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. 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. Under the terms of the credit facility, in the event the Company make a cash distribution pursuant to a capital reduction pursuant to the Companies Act, Chapter 50 of Singapore, the Company and our subsidiaries, STATS ChipPAC (BVI) Limited and STATS ChipPAC (Thailand) Ltd., would each be required to pledge our respective accounts receivables in favour 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 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. The Company 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. In 2010, the Company 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, 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 5.375% Senior Notes due 2016 issued on 12 January 2011 together with cash on hand. Pursuant to the repayment of the $234.5 million in January 2011, the interest rate swap contracts were terminated in 2011 and certain accounts receivable previously pledged as security for the credit facility was released on 11 March 2011. The Company incurred cost of $0.7 million on termination of the interest rate swap contracts in 2011.

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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, third and last installment of $20.0 million, $10.0 million, $10.0 million and $6.8 million, respectively, were paid to LSI in 2008, 2009, 2010 and 2011.

STATS ChipPAC Taiwan Semiconductor Corporation has a NT$3.6 billion floating rate New Taiwan dollar term loan facility (approximately $118.9 million based on exchange rate as of 25 December 2011) 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 $23.1 million based on exchange rate as of 25 December 2011) 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 $19.8 million based on exchange rate as of 25 December 2011) loan with new credit facilities of NT$873.0 million (approximately $28.8 million as of 25 December 2011) 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 $6.6 million based on exchange rate as of 25 December 2011) of loan outstanding under these credit facilities. STATS ChipPAC Taiwan Semiconductor Corporation early repaid the remaining outstanding balance of NT$75.0 million (approximately $2.5 million based on exchange rate as of 25 December 2011) of loan in November 2011. As of 25 December 2011, STATS ChipPAC Taiwan Semiconductor has remaining NT$250.0 million (approximately $8.3 million based on exchange rate as of 25 December 2011) credit facilities available. As of 25 December 2011, there was no drawdown on these facilities.

Additionally, STATS ChipPAC Taiwan Semiconductor Corporation has a NT$0.3 billion (approximately $9.9 million as of 25 December 2011) credit facility with Mega Bank. STATS ChipPAC Semiconductor Corporation early repaid the remaining outstanding balance of NT$34.1 million (approximately $1.1 million based on exchange rate as of 25 December 2011) in November 2011. This loan was secured by a pledge of land and building with a combined net book value of $6.3 million as of 25 December 2011. The pledge was released on 19 January 2012.

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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:

	25 December 2011 $'000	26 December 2010 $'000
6 months or less	20,000	247,258
6 - 12 months	—	6,800
1 - 5 years	790,339	590,144
	810,339	844,202

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

	25 December 2011 $'000	26 December 2010 $'000
7.5% senior notes due 2015	621,956	634,425
5.375% senior notes due 2016	196,847	—
Senior credit facility	—	226,789
6.0% promissory note	—	6,800
U.S. dollars revolving credit facilities at floating rates	20,000	6,000
Taiwan dollar loans and commercial papers at floating rates	—	14,469
	838,803	888,483

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 borrowings under the senior credit facility, promissory notes, U.S. dollars revolving credit facilities 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 $225.3 million, of which $156.0 million of credit facilities and $37.6 million of other banking facilities were available on 25 December 2011.

17. Derivative Financial Instruments

	25 December 2011			26 December 2010		
	Contract Notional Amount $'000	Asset $'000	Liability $'000	Contract Notional Amount $'000	Asset $'000	Liability $'000
Cash-flow hedges						
- Currency forwards	410,768	728	14,925	316,890	1,101	744
- Interest rate swaps	—	—	—	170,000	—	240
Total		728	14,925		1,101	984

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

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18. Other Non-Current Liabilities

	25 December 2011 $'000	26 December 2010 $'000
Accrued retirement and severance benefits	1,805	10,838
Others	—	2,629
	1,805	13,467

Changes in accrued retirement and severance benefits in 2011 and 2010 are as follows:

	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	13,661	13,101
Provision for retirement and severance benefits	3,723	1,575
Severance payments	(1,842)	(2,100)
Foreign currency (gain) loss	(351)	1,085
Current portion of accrued retirement and severance benefit, included within other accrued operating expenses (Note 14)	(10,337)	—
End of financial year	4,854	13,661
Payments on deposits with Korean National Pension Fund	(129)	(130)
Plan assets	(2,920)	(2,693)
Ending, net of payments on deposits	1,805	10,838

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.

20. Flood Related Charges

These charges relate to the flood in Thailand which adversely affected the Group's Thailand plant operations. The charges incurred were as follows:

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Plant and equipment impairment (Note 10)	16,313	—
Goodwill impairment (Note 13)	24,547	—
Other related charges	14,644	—
	55,504	—

Included in other related charges were $4.7 million of damaged inventories and incurrence of expenses during the suspension of the Thailand plant operations.

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21. Employee Compensation

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Wages and salaries	292,208	255,408
Employer's contribution to defined contribution plans including Central Provident Fund	44,088	39,341
Other benefits	30,693	26,285
Share option expense	—	146
	366,989	321,180

22. Other Non-operating Income (Expense), net

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Gain on sale of financial assets, available-for-sale	473	2
Loss from repurchase of senior notes	—	(1,078)
Other expense, net	(305)	(525)
	168	(1,601)

23. 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	
	25 December 2011	26 December 2010
Net income (loss) attributable to equity holders of STATS ChipPAC Ltd. ($'000)	(2,502)	107,978
Weighted average number of ordinary shares outstanding (basic) ('000)	2,202,218	2,202,218
Weighted average dilutive shares from share plans ('000)	—	16
Weighted average number of ordinary shares and equivalent ordinary shares outstanding (diluted) ('000)	2,202,218	2,202,234
Net income (loss) per ordinary share attributable to equity holders of STATS ChipPAC Ltd.		
- Basic	$ (0.00)	$ 0.05
- Diluted	$ (0.00)	$ 0.05

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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The excluded potentially dilutive securities outstanding are as follows:

	25 December 2011 ('000)	26 December 2010 ('000)
Share plans	7,285	7,813

24. 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 (2010: 2,202,218,293) ordinary shares pursuant to the Singapore Companies Act (Cap 50) is S$2,343.9 million as of 25 December 2011. 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"). The PSP 2009 was amended in 2011.

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 3.25% 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 to the financial year ended 25 December 2011, contingent awards of up to 34,666,329 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.

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	
	25 December 2011 $'000	**26 December 2010 $'000**
Cost of revenues	—	52
Selling, general and administrative	—	79
Research and development	—	15
	—	146

In 2011 and 2010, no share-based compensation expense was recognised for the NED Equity Grant Plan and PSP 2009.

The following table summarises share option activity in 2010 and 2011:

	Options ($'000)	**Weighted Average Exercise Price**
Options outstanding at 28 December 2009	12,499	1.80
Lapsed and forfeited	(4,657)	2.28
Options outstanding at 26 December 2010	7,842	1.25
Lapsed and forfeited	(557)	1.40
Options outstanding at 25 December 2011	7,285	1.26
Exercisable at 26 December 2010	7,842	1.25
Exercisable at 25 December 2011	7,285	1.26

The following table summarises information about share options outstanding at 25 December 2011:

	Options Outstanding and Exercisable		
Range of Exercise Prices	**Number Exercisable ('000)**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**
$0.29 to $0.29	27	1.0 years	$0.29
$0.55 to $0.79	236	2.2 years	$0.66
$1.16 to $1.64	7,022	1.2 years	$1.28
	7,285	1.2 years	

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The following table summarises information on the RSUs in 2010 and 2011:

	Number outstanding ('000)	Weighted average grant-date fair value
Outstanding as of 28 December 2009	1,591	$0.85
Cancelled	(6)	$0.85
Vested	(1,585)	$0.85
Outstanding as of 26 December 2010	—	—
Outstanding as of 25 December 2011	—	—

In 2011 and 2010, nil and $1.3 million was paid to the participants of the RSP as settlement in cash of the vested nil and 1.6 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).

25. Other Reserves

(a) Composition

	25 December 2011 $'000	26 December 2010 $'000
Fair value reserve	—	453
Hedging reserve	(13,329)	117
Foreign currency translation reserve	(4,652)	(848)
	(17,981)	(278)

(b) Movement

(i) Fair value reserve

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	453	233
Financial assets, available-for-sale		
Fair value gains (losses) (Note 6)	(10)	220
Reclassification to Income Statement	(443)	—
Tax on fair value changes	—	—
End of financial year	—	453

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(ii) Hedging reserve

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	117	(680)
Fair value gains (losses)	(5,762)	1,693
Reclassification to Income Statement	(8,264)	(874)
Tax on fair value changes	580	(22)
End of financial year	(13,329)	117

(iii) Foreign currency translation reserve

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	(848)	(6,240)
Net currency translation differences of financial statements of a foreign subsidiary	(3,486)	10,446
Less: Non-controlling interests	(318)	(5,054)
End of financial year	(4,652)	(848)

Other reserves are non-distributable.

26. Commitments and Contingencies

(a) Commitments

As of 25 December 2011 and 26 December 2010, unconditional purchase obligations consist of the following:

	25 December 2011 $'000	26 December 2010 $'000
Capital commitments		
Building, mechanical and electrical installation	1,727	959
Equipment	64,815	49,009
Other commitments		
Inventories	72,956	23,188

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 $40.0 million for 2012 through 2017.

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 2011 and 2010 was $10.6 million and $11.8 million, respectively.

The Group has leased certain plant and equipment under operating leases. These leases extend through 2014. Operating lease rental expenses, including amortisation of lease prepayments, in respect of these leases in 2011 and 2010 were $13.9 million and $8.6 million, respectively.

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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:

	25 December 2011 $'000	26 December 2010 $'000
Not later than one year	22,926	15,403
Between one and five years	30,580	29,987
Later than five years	5,217	5,948
	58,723	51,338

(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. As of September 2010, all of the asserted patents have expired. 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 instituted 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 filed petitions for rehearing by the U.S. Court of Appeals. Such petitions for rehearing by the U.S. Court of Appeals were denied. Some of the respondents in the First ITC action filed petitions for review with the United States Supreme Court but such petitions were denied.

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. Tessera and the defendants in the Texas Action filed a stipulation to transfer the Texas Action to the Northern District of California, where the California Litigation is pending, and the California Court agreed to such transfer. The Texas Action defendants have not yet moved to consolidate that action with the California Litigation but one or more of those defendants may do so.

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

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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 stay in the California Litigation was lifted on 4 January 2012. A new schedule has been entered with a trial date of 7 April 2014. The U.S. Patent and Trademark Office (the "PTO") instituted reexamination proceedings on all of the patents Tessera has asserted in the California Litigation. For three of those patents, the PTO has confirmed the reexamined claims. It is not possible to predict the outcome of the California Litigation, or the total costs of resolving the California Litigation; nor is it possible to predict the outcome of the Texas Action or whether it will be consolidated in whole or in part with the California Litigation. It is also not possible to predict the outcome of the PTO proceedings that remain pending or their impact on the California Litigation.

The Group believes that the Group has a meritorious defense to these claims and intends to defend the lawsuit 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 litigation, the Group cannot accurately predict the ultimate outcome and it could result in significant liability 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 operates. These include taxes on income, property, goods and services, and other taxes. The Group submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. The Group regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes.

27. Restructuring Charges

In 2010, the Group recorded severance and related charges of $1.4 million related to the reduction of workforce by 21 employees. 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.

28. Financial Risk Management

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

Capital Management

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

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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 2011 and 2010, which primarily arises from its borrowing facilities. There were no changes in the Group's approach to capital management during the year.

Foreign Currency Risk

A portion of the Group's costs is denominated in various foreign currencies, like the Singapore dollar, the South Korean Won, the Chinese Renminbi, the 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 $410.8 million and $316.9 million in 2011 and 2010, 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 $0.9 million and $1.0 million as of 25 December 2011 and 26 December 2010, 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 25 December 2011, 97.5% (2010: 70.7%) 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 25 December 2011, the Group's senior notes due 2015 and 2016 bear interest of 7.5% and 5.375% per annum, respectively.

Credit Risk

The Group's customers are comprised of companies in the semiconductor industry located primarily in the United States of America, Asia and Europe. The semiconductor industry is highly cyclical and experiences significant fluctuations in customer demand, evolving industry standards, competitive pricing pressure that leads to steady declines in average selling prices, rapid technological changes, risk associated with foreign currencies and enforcement of intellectual property rights. Additionally, the market in which the Group operates is very competitive. As a result of these industry and market characteristics, key elements of competition in the independent semiconductor packaging market include breadth of packaging offerings, time-to-market, technical competence, design services quality, production yields, reliability of customer service and price. The Group's largest customer accounted for approximately 22% and 16% of revenues in 2011 and 2010, respectively. The Group's ten largest customers collectively accounted for approximately 65.7% and 69.9% of revenues in 2011 and 2010, 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:

	25 December 2011 $'000	26 December 2010 $'000
Past due less than 30 days	24,814	10,869
30-60 days	170	1,166
61-90 days	113	551
More than 90 days	195	170
	25,292	12,756

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

	25 December 2011 $'000	26 December 2010 $'000
Gross amount	523	1,268
Less: Allowance for impairment	(523)	(1,268)
	—	—
Beginning of financial year	1,268	2,604
Additions	595	393
Utilised	(9)	(273)
Write-back	(1,331)	(1,456)
End of financial year	523	1,268

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

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these regulations when entering into transactions in foreign currencies in South Korea, China, Thailand and Malaysia.

Liquidity Risk

The Group's principal source of liquidity consists of cash flows from operating activities, bank facilities, debt financing, and existing cash and cash equivalents and marketable securities. As of 25 December 2011, the Group had cash, cash equivalents and marketable securities of $238.1 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 $225.3 million, of which $156.0 million of credit facilities and $37.6 million of other banking facilities were available as of 25 December 2011. 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 25 December 2011				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	132,852	—	—	—	132,852
Payables related to property, plant and equipment	19,864	—	—	—	19,864
Accrued operating expenses	135,417	—	—	—	135,417
Borrowings	20,000	—	800,000	—	820,000
Amounts due to related parties	28	—	—	—	28
Gross-settled currency forwards					
Receipts	(396,572)	—	—	—	(396,572)
Payments	410,768	—	—	—	410,768
Accrued retirement and severance benefits	62	175	237	1,331	1,805
Total	322,419	175	800,237	1,331	1,124,162

	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
Amounts 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

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Estimation of Fair Value

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

	25 December 2011 $'000	26 December 2010 $'000
Financial assets		
Available-for-sale		
- Marketable securities	43,249	105,288
Cash and cash equivalents	194,811	196,395
Loan and receivables		
- Accounts receivable, net	223,082	230,777
- Amounts due from related parties	—	17,105
- Other receivables	13,879	9,435
Total	475,021	559,000
Financial liabilities		
Financial liabilities at nominal value and amortised cost		
- Accounts and other payables	(132,852)	(151,473)
- Payables related to property, plant and equipment purchases	(19,864)	(42,734)
- Accrued operating expenses	(150,342)	(113,584)
- Borrowings	(810,339)	(844,202)
- Amounts due to related parties	(28)	(22)
- Accrued retirement and severance benefits	(1,805)	(10,838)
Total	(1,115,230)	(1,162,853)

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

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

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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 25 December 2011 and 26 December 2010, respectively:

	Fair Value Measurement as of 25 December 2011			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Short-term financial assets, available-for-sale	43,249	—	—	43,249
Foreign currency forward contracts	—	728	—	728
Total assets measured and recorded at fair value	43,249	728	—	43,977
Liabilities:				
Foreign currency forward contracts	—	14,925	—	14,925
Total liabilities measured and recorded at fair value	—	14,925	—	14,925

	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

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29. 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 25 December 2011. Temasek, a private limited company incorporated in Singapore, is wholly-owned by the Minister for Finance (Incorporated) of Singapore.

The significant subsidiaries of the Company are as follows:

			Effective Percentage Holdings	
Name of Subsidiary	**Principal Activities**	**Country of Incorporation**	**2011**	**2010**
STATS ChipPAC (Barbados) Ltd.#	Investment holding	Barbados	100%	100%
STATS ChipPAC (BVI) Limited*	Investment holding, turnkey packaging and test services, warehousing services, research and development	British Virgin Islands	100%	100%
STATS ChipPAC (Thailand) Limited#	Turnkey packaging and test services, research and development, warehousing services and drop shipment services	Thailand	100%	100%
STATS ChipPAC Korea Ltd.#	Turnkey packaging and test services, research and development, warehousing services and drop shipment services	South Korea	100%	100%
STATS ChipPAC Malaysia Sdn. Bhd.#	Turnkey packaging and test services, warehousing services and drop shipment services	Malaysia	100%	100%
STATS ChipPAC Shanghai Co., Ltd#	Turnkey packaging and test services, flip-chip, research and development, warehousing services, and drop shipment services	China	100%	100%
STATS ChipPAC Taiwan Co., Ltd.#	Solder bump services for flip chip, and wafer level chip scale package assembly	Taiwan	100%	100%
STATS ChipPAC Taiwan Semiconductor Corporation+	Test services, research and development, warehousing services, and drop shipment services	Taiwan	52%	52%
STATS ChipPAC, Inc.*	Sales, marketing, administration and research and development	Delaware, USA	100%	100%

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

30. Related Party Transactions

As of 25 December 2011, 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

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commencing 1 March 1996 and is renewable for a further 30 years subject to the fulfillment of certain conditions.

The Group has $0.2 million and $2.6 million of cash and cash equivalents, and $28.7 million and $39.1 million of short and long term marketable securities placed with Temasek affiliated financial institutions as of 25 December 2011 and 26 December 2010, respectively. Interest income earned were $0.2 million and $0.4 million in 2011 and 2010, respectively.

The Group also engages in transacting with other companies, directly or indirectly controlled by Temasek, in the ordinary course of business. These transactions, which include transactions for gas, water and electricity, facilities management, transportation and telecommunication services, are at their prevailing market rates or prices and on customary terms and conditions. These expenses amounted to $5.3 million and $3.8 million in 2011 and 2010, respectively.

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

	25 December 2011 $'000	26 December 2010 $'000
Receivables on assets transfer due from associate	—	17,105
Short-term amounts due to related parties		
Accounts payable	(28)	(22)

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. In 2009, the assets had been fully transferred to ANST. ANST paid the final payment consideration for packaging and test equipment in May 2011, and accordingly, realised gains on assets disposal of $2.6 million and $0.3 million were recognised in 2011 and 2010, respectively.

Directors and Key Executives Compensation

	25 December 2011 $'000	26 December 2010 $'000
Non-Executive Directors' fee	379	404
Key Executives' remuneration(1)	5,843	5,916
	6,222	6,320

Notes:
(1) Key executives includes the executive director and CEO and top five key senior executives (who are not directors of the Company)

31. 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.

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

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
United States		
– packaging – laminate	689,991	652,045
– packaging – leaded	175,976	177,434
– test	219,667	188,279
– wafer level processing and other services	44,727	13,880
	1,130,361	1,031,638
Asia		
– packaging – laminate	187,621	219,075
– packaging – leaded	66,594	48,303
– test	89,951	123,073
– wafer level processing and other services	43,826	62,948
	387,992	453,399
Europe		
– packaging – laminate	68,266	75,162
– packaging – leaded	16,735	18,347
– test	24,284	35,747
– wafer level processing and other services	78,862	63,541
	188,147	192,797
Total		
– packaging – laminate	945,878	946,282
– packaging – leaded	259,305	244,084
– test	333,902	347,099
– wafer level processing and other services	167,415	140,369
	1,706,500	1,677,834

Long-lived assets by geographical area were:

	Year Ended	
	25 December 2011 $'000	26 December 2010 $'000
Singapore	305,351	289,686
Korea	279,010	277,975
China	271,566	260,720
United States	2,024	2,884
Rest of Asia	265,110	292,544
Total	1,123,061	1,123,809

The Group's largest customer accounted for approximately 22% and 16% of revenues in 2011 and 2010, respectively. The Group's ten largest customers collectively accounted for approximately 65.7% and 69.9% of revenues in 2011 and 2010, respectively.

32. 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

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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 25 December 2011, 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 $362.9 million of net revenues (representing 21.3% of the Group's consolidated net revenues) and $24.4 million of operating income (representing 35.8% of our consolidated operating income). As of 25 December 2011, the Non-Guarantor Subsidiaries held $560.2 million of assets (representing 25.9% of the Group's consolidated total assets).

For the financial year ended 25 December 2011, STATS ChipPAC Korea Ltd. generated $583.5 million of net revenues (representing 34.2% of the Group's consolidated net revenues) and $17.8 million of operating income (representing 26.2% of the Group's consolidated operating income). As of 25 December 2011, STATS ChipPAC Korea Ltd. held $685.5 million of assets (representing 31.7% of the Group's consolidated total assets).

For the financial year ended 25 December 2011, the China Non-Guarantor Subsidiaries generated $323.7 million of net revenues (representing 19.0% of the Group's consolidated net revenues) and $11.3 million of operating income (representing 16.6% of the Group's consolidated operating income). As of 25 December 2011, the China Non-Guarantor Subsidiaries held $448.2 million of assets (representing 20.7% of the Group's consolidated total assets).

As of 25 December 2011, STATS ChipPAC Korea Ltd. had no indebtedness outstanding and approximately $161.5 million of trade payables and other liabilities outstanding.

As of 25 December 2011, the China Non-Guarantor Subsidiaries had no indebtedness and $128.3 million of trade payables and other liabilities outstanding and STATS ChipPAC Taiwan Semiconductor Corporation had no indebtedness and $11.8 million of trade payables and other liabilities outstanding.

33. Subsequent Event

On 1 February 2012, the Group announced that the Group will not resume assembly operations in its Thailand plant, which has been suspended due to the flooding in Thailand during the fourth quarter of 2011 due to extensive equipment and facility damages beyond economic restoration. Partial operations in test and Wafer Level Chip Scale Packaging ("WLCSP") will be supported from the Thailand plant until the third quarter of 2012. The Group will continue to shift production to its other manufacturing locations in Singapore, Korea and China to support demand from the customers affected by the disruption of the Thailand plant. Approximately 1,250 employees, representing 12.5% of the Group's global workforce, will be affected. The Group expects to file a property damage and business interruption claim with its insurers during the first quarter of 2012.

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	Note	25 December 2011 $'000	26 December 2010 $'000
ASSETS			
Current assets:			
Cash and cash equivalents	3	53,755	79,642
Accounts receivable, net	4	83,915	90,381
Other receivables	5	150	1,638
Inventories	6	16,378	12,325
Prepaid expenses and other current assets		8,142	3,882
Short-term amounts due from subsidiaries		437,963	493,470
Total current assets		600,303	681,338
Non-Current assets			
Financial assets, available-for-sale	7	–	16,646
Property, plant and equipment, net	8	305,351	289,686
Investment in subsidiaries	9	732,284	760,709
Investment in associate	10	10,154	10,154
Intangible assets	11	21,957	18,138
Prepaid expenses and other non-current assets		2,171	1,119
Total non-current assets		1,071,917	1,096,452
Total assets		1,672,220	1,777,790
LIABILITIES			
Current liabilities:			
Accounts and other payable		13,604	17,480
Payables related to property, plant and equipment purchases		5,498	21,597
Accrued operating expenses	12	67,136	52,165
Short-term borrowings	14	20,000	37,026
Short-term amounts due to related parties		28	22
Short-term amounts due to subsidiaries		42,755	101,167
Total current liabilities		149,021	229,457
Non-current liabilities:			
Long-term borrowings	14	790,339	779,907
Deferred tax liabilities	13	7,338	6,292
Total non-current liabilities		797,677	786,199
Total liabilities		946,698	1,015,656
EQUITY			
Share capital	16	872,766	872,766
Retained earnings		(125,980)	(101,523)
Other reserves	17	(21,264)	(9,109)
Total equity		725,522	762,134
Total liabilities and equity		1,672,220	1,777,790

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

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NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

1. Background and Summary of Significant Accounting Policies

(a) Business and Organisation

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

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

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

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

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

(b) Subsidiaries and Equity Investee

The Company has 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 assesses annually whether there is an indication that the investment in subsidiaries and equity investee may be impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

(c) Fiscal Year

STATS ChipPAC's 52-53 week fiscal year ends on the Sunday nearest and prior to 31 December. STATS ChipPAC's fiscal quarters end on a Sunday and are generally thirteen weeks in length. Fiscal year 2011, a 52-week year, ended on 25 December 2011 and fiscal year 2010, a 52-week year, ended on 26 December 2010. Unless otherwise stated, all years and dates refer to STATS ChipPAC's fiscal years.

2. Related Parties

As of 25 December 2011, Temasek Holdings (Private) Limited ("Temasek"), through its wholly-owned subsidiary, Singapore Technologies Semiconductors Pte Ltd ("STSPL"), beneficially owned 1,845,715,689 ordinary shares, representing 83.8% of the Company's ordinary shares. Refer to Note 30 of the consolidated financial statements for details of related party transactions.

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3. Cash and Cash Equivalents

	25 December 2011 $'000	26 December 2010 $'000
Cash at banks and on hand	24,488	59,779
Cash equivalents		
Money market funds	29,267	19,636
Bank fixed deposits	–	227
	53,755	79,642

4. Accounts Receivable

	25 December 2011 $'000	26 December 2010 $'000
Accounts receivable – third parties, net of allowance for sales returns	84,438	91,649
Less: Allowance for impairment	(523)	(1,268)
Accounts receivable, net	83,915	90,381

5. Other Receivables

	25 December 2011 $'000	26 December 2010 $'000
Deposits and staff advances	2	4
Other receivables	148	1,634
	150	1,638

6. Inventories

	25 December 2011 $'000	26 December 2010 $'000
Raw materials	10,436	7,427
Work-in-progress	5,626	4,493
Finished goods	316	405
	16,378	12,325

7. Financial Assets, Available-for-Sale

	25 December 2011 $'000	26 December 2010 $'000
Quoted marketable securities		
- Corporate notes	–	16,646

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

	Year ended 25 December 2011 $'000	Year ended 26 December 2010 $'000
Beginning of financial year	16,646	16,426
Disposal	(16,636)	–
Fair value gains (losses) recognised in other reserves (Note 17 (b))	(10)	220
End of financial year	–	16,646

8. Property, Plant and Equipment

	Buildings, Mechanical and Electrical Installation $'000	Equipment $'000	Total $'000
Cost			
Balances at 27 December 2010	76,287	896,059	972,346
Additions	11,126	69,616	80,742
Transfers from subsidiaries	–	51,771	51,771
Disposal/write-off	–	(70,077)	(70,077)
Balances at 25 December 2011	87,413	947,369	1,034,782
Accumulated depreciation			
Balances at 27 December 2010	51,197	631,463	682,660
Additions	3,845	76,581	80,426
Transfers from subsidiaries	–	28,563	28,563
Disposal/write-off	–	(62,218)	(62,218)
Balances at 25 December 2011	55,042	674,389	729,431
Net book value at 25 December 2011	32,371	272,980	305,351

	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
Disposal/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
Disposal/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

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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.

9. Investment in Subsidiaries

	25 December 2011 $'000	26 December 2010 $'000
Unquoted equity shares at cost	712,823	720,703
Quoted equity shares at cost	19,461	40,006
	732,284	760,709

10. Investment in Associate

Investment in equity investee is summarised as follows:

	25 December 2011 $'000	26 December 2010 $'000
Unquoted equity shares at cost	10,154	10,154

11. Intangible Assets

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

	25 December 2011 $'000	26 December 2010 $'000
Cost		
Beginning of financial year	21,595	16,401
Additions	5,301	5,194
Write-off	(231)	–
End of financial year	26,665	21,595
Accumulated amortisation		
Beginning of financial year	3,457	2,399
Additions	1,286	1,066
Write-off	(35)	(8)
End of financial year	4,708	3,457
Net book value	21,957	18,138

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12. Accrued Operating Expenses

	25 December 2011 $'000	26 December 2010 $'000
Staff costs	19,013	17,195
Purchase of raw materials	7,246	7,728
Maintenance fees, license fees and royalties	659	952
Interest expense	19,097	17,120
Accruals for vacation liability	2,348	2,345
Forward contracts payable	11,531	127
Other accrued operating expenses	7,242	6,698
	67,136	52,165

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. The concessionary tax rate of 5% will lapse on the tax incentive expiry in June 2012.

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:

	25 December 2011 $'000	26 December 2010 $'000
Deferred tax liabilities:		
Undistributed earnings of subsidiaries	7,338	6,292

In 2011 and 2010, the Company recognised deferred tax liability of $1.0 million and $5.1 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 27 December 2010	6,292	—	6,292
Charges to Income Statement	1,046	—	1,046
Balances at 25 December 2011	7,338	—	7,338
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

As of 25 December 2011, the Company has approximately $23.9 million and $248.4 million of tax loss carryforwards and unutilised capital allowances, respectively, which can, subject to the relevant provision of the Singapore Income Tax Act, be carried forward and utilised against future taxable profits.

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NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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.

14. Borrowings

	25 December 2011 $'000	26 December 2010 $'000
7.5% senior notes due 2015	591,956	590,144
5.375% senior notes due 2016	198,383	–
Senior credit facility	–	226,789
U.S. dollars revolving credit facilities at floating rates	20,000	–
Total borrowings	810,339	816,933
Less: borrowings repayable within one year	20,000	37,026
Long-term borrowings	790,339	779,907

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:

	25 December 2011 $'000	26 December 2010 $'000
6 months or less	20,000	226,789
6 - 12 months	–	–
1 - 5 years	790,339	590,144
	810,339	816,933

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

	25 December 2011 $'000	26 December 2010 $'000
7.5% senior notes due 2015	621,956	634,425
5.375% senior notes due 2016	196,847	–
Senior credit facility	–	226,789
U.S. dollars revolving credit facilities at floating rates	20,000	–
	838,803	861,214

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 borrowings under the senior credit facility and U.S. dollars revolving credit facilities 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 $170.0 million, of which $128.8 million of credit facilities and $12.5 million of other banking facilities were available as of 25 December 2011.

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15. Derivative Financial Instruments

	25 December 2011			26 December 2010		
	Contract notional amount $'000	Asset $'000	Liability $'000	Contract notional amount $'000	Asset $'000	Liability $'000
Cash-flow hedges						
- Currency forwards	207,364	–	11,531	100,840	537	127
- Interest rate swaps	–	–	–	170,000	–	240
Total		–	11,531		537	367

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

In 2010, interest rate swaps were 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 were transferred to income statement on termination.

16. Share Capital, Share Options and Incentive Plans

Refer to Note 24 of the consolidated financial statements for details of the Share Capital, Share Options and Incentive Plans.

17. Other reserves

(a) Composition

	25 December 2011 $'000	26 December 2010 $'000
Fair value reserve	–	453
Hedging reserve	(11,531)	171
Foreign currency translation reserve	(9,733)	(9,733)
	(21,264)	(9,109)

(b) Movement

(i) Fair value reserve

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	453	233
Financial assets, available-for-sale		
Fair value gains (losses) (Note 7)	(10)	220
Reclassification to Income Statement	(443)	–
Tax on fair value changes	–	–
End of financial year	–	453

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(ii) Hedging reserve

	Year ended	
	25 December 2011 $'000	26 December 2010 $'000
Beginning of financial year	171	(468)
Fair value gains (losses)	(10,425)	1,723
Reclassification of fair value gains to Income Statement	(1,277)	(1,084)
Tax on fair value changes	–	–
End of financial year	(11,531)	171

Other reserves are non-distributable.

18. Commitments and Contingencies

(a) Commitments

As of 25 December 2011 and 26 December 2010, unconditional purchase obligations consist of the following:

	25 December 2011 $'000	26 December 2010 $'000
Capital commitments		
Equipment	8,098	21,673
Other commitments		
Inventories	8,148	7,335

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 $1.9 million per annum for 2012 through 2016.

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:

	25 December 2011 $'000	26 December 2010 $'000
Not later than one year	8,058	3,386
Between one and five years	7,185	2,788
Later than five years	5,128	5,601
	20,371	11,775

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(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 26(b) of the consolidated financial statements for details of contingencies.

19. Financial Risk Management

Refer to Note 28 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:

	25 December 2011 $'000	26 December 2010 $'000
Past due less than 30 days	1,963	3,729
30-60 days	–	172
61-90 days	–	88
More than 90 days	–	79
	1,963	4,068

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

	25 December 2011 $'000	26 December 2010 $'000
Gross amount	523	1,268
Less: Allowance for impairment	(523)	(1,268)
	–	–
Beginning of financial year	1,268	2,604
Additions	595	393
Utilised	(9)	(273)
Write-back	(1,331)	(1,456)
End of financial year	523	1,268

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liquidity Risk

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

	As at 25 December 2011				
	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Total $'000
Accounts and other payables	13,604	–	–	–	13,604
Payables related to property, plant and equipment purchases	5,498	–	–	–	5,498
Accrued operating expenses	55,605	–	–	–	55,605
Borrowings	20,000	–	800,000	–	820,000
Amounts due to related parties	28	–	–	–	28
Amounts due to subsidiaries	42,755	–	–	–	42,755
Gross-settled currency forwards					
Receipts	(195,833)	–	–	–	(195,833)
Payments	207,364	–	–	–	207,364
Total	149,021	–	800,000	–	949,021

	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
Amounts due to related parties	22	–	–	–	22
Amounts 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

Estimation of Fair Value

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

	25 December 2011 $'000	26 December 2010 $'000
Financial assets		
Available-for-sale		
- Marketable securities	–	16,646
Cash and cash equivalents	53,755	79,642
Loan and receivables		
- Accounts receivable, net	83,915	90,381
- Amounts due from subsidiaries	437,963	493,470
- Other receivables	150	1,638
Total	575,783	681,777

STATS CHIPPAC LTD.

NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Financial liabilities		
Financial liabilities at nominal value and amortised cost		
- Accounts and other payables	(13,604)	(17,480)
- Payables related to property, plant and equipment purchases	(5,498)	(21,597)
- Accrued operating expenses	(67,136)	(52,165)
- Borrowings	(810,339)	(816,933)
- Amounts due to related parties	(28)	(22)
- Amounts due to subsidiaries	(42,755)	(101,167)
Total	(939,360)	(1,009,364)

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 25 December 2011 and 26 December 2010, respectively:

	Fair Value Measurement As of 25 December 2011			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets:				
Financial assets, available-for-sale	–	–	–	–
Foreign currency forward contracts	–	–	–	–
Total assets measured and recorded at fair value	–	–	–	–
Liabilities:				
Foreign currency forward contracts	–	11,531	–	11,531
Total liabilities measured and recorded at fair value	–	11,531	–	11,531

	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

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 25 December 2011.

Auditors' Remuneration

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

	2011 **$'000**	**2010** **$'000**
Audit fees paid/payable to:		
- Auditors of the Company	595	730
- Other auditors*	256	248
Non-Audit fees paid/payable to:		
- Auditors of the Company	–	164
- Other auditors*	53	–

* Include PricewaterhouseCoopers firms outside Singapore

Appointment of auditors

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

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

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

Internal controls

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

Material Contracts

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

STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Shareholdings Statistics

As of 9 March 2012

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

Size of Shareholdings	No. of Shareholders	%	No. of shares	%
1 - 999	353	2.74	131,643	0.01
1,000 - 10,000	10,721	83.22	34,358,946	1.56
10,001 - 1,000,000	1,788	13.88	65,886,695	2.99
1,000,001 and above	21	0.16	2,101,841,009	95.44
Total	12,883	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	DBS Nominees Pte Ltd	75,714,287	3.44
3	Citibank Nominees Singapore Pte Ltd	66,031,273	3.00
4	CDP Nominees Pte Ltd	23,000,000	1.04
5	United Overseas Bank Nominees Pte Ltd	19,288,000	0.88
6	HSBC (Singapore) Nominees Pte Ltd	15,524,408	0.71
7	DBSN Services Pte Ltd	11,738,334	0.53
8	Raffles Nominees (Pte) Ltd	8,350,525	0.38
9	Citibank Consumer Nominees Pte Ltd	6,260,000	0.28
10	OCBC Nominees Singapore Pte Ltd	3,586,625	0.16
11	Phillip Securities Pte Ltd	3,442,000	0.16
12	UOB Kay Hian Pte Ltd	3,365,000	0.15
13	Lim & Tan Securities Pte Ltd	3,062,000	0.14
14	Top Peak Investment Holdings Ltd	2,700,000	0.12
15	Ng Hian Chow	2,587,000	0.12
16	Jusuf or Mariana	2,470,000	0.11
17	Choo Ah Seng	2,439,000	0.11
18	DBS Vickers Securities (Singapore) Pte Ltd	2,323,000	0.11
19	Ong Bee Dee	1,810,000	0.08
20	OCBC Securities Private Ltd	1,353,330	0.06
	Total	2,100,760,471	95.39

STATS CHIPPAC LTD. AND SUBSIDIARIES

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

Substantial Shareholders

	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%	No. of shares	%	No. of shares	%
Temasek Holdings (Private) Limited [1]	--	--	1,845,715,689	83.81	1,845,715,689	83.81
Marathon Asset Management LLP[2]	--	--	154,807,000	7.03	154,807,000	7.03

Public Shareholders

Based on the information available to the Company as of 9 March 2012, 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 9 March 2012, there are no treasury shares held.

[1] As notified to our Company by Temasek, a private limited company incorporated in Singapore, wholly-owned by the Minister for Finance of Singapore, a body corporate constituted by the Minister for Finance (Incorporation) Act (Cap. 183), which owns 100% of the ordinary shares of STSPL. Temasek is therefore deemed to beneficially own 1,845,715,689 of our ordinary shares, which are owned directly by STSPL. The percentage beneficially owned is based on an aggregate 2,202,218,293 ordinary shares outstanding as of 9 March 2012.

[2] We received a notice from Marathon in February 2012 that it had voting control over 120,534,000 ordinary shares, which represented approximately 5.47% of our ordinary shares outstanding as of 9 March 2012, and non-voting control over an additional 34,273,000 ordinary shares, which represented approximately 1.56% of our ordinary shares outstanding as of 9 March 2012.

CORPORATE INFORMATION

Chairman
Charles R. Wofford

Directors
Tan Lay Koon
Peter Seah Lim Huat
R. Douglas Norby
Teng Cheong Kwee
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

Registered Office and Corporate Headquarters
10 Ang Mo Kio Street 65
#05-17/20 Techpoint
Singapore 569059
Tel: (65) 6824 7777
Fax: (65) 6720 7829

Shareholder Services for Ordinary Shares
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6227 6660
Fax: (65) 6225 1452

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

Independent Auditors
PricewaterhouseCoopers LLP
8 Cross Street #17-00
PWC Building
Singapore 048424

Audit Partner: Yee Chen Fah
(Appointed in 2011)

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

Investor Relations Contact
Investor Relations
10 Ang Mo Kio Street 65
#05-17/20 Techpoint
Singapore 569059
Tel: (65) 6824 7788
kahlocke.tham@statschippac.com

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

Annual General Meeting
The 18th Annual General Meeting will be held at 10.00 a.m. local time, Monday, 23 April 2012 at The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046.

INNOVATE

CREATE

DELIVER

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

10 Ang Mo Kio Street 65
#05-17/20 Techpoint
Singapore 569059

Tel: 65-6824-7777
Fax: 65-6720-7829 *(Legal matters)*
65-6720-7826 *(Investor Relations matters)*