ADVANCED SEMICONDUCTOR ENGINEERING INC
Form 6-K
June 12, 2006

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

June 12, 2006

Commission File Number 001-16125

Advanced Semiconductor Engineering, Inc.

(Exact name of Registrant as specified in its charter)

26 Chin Third Road
Nantze Export Processing Zone
Kaoshiung, Taiwan
Republic of China
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No _X_

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
Not applicable

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ADVANCED SEMICONDUCTOR ENGINEERING, INC.
Date: June 12, 2006	By:	/s/ Joseph Tung
	Name:	Joseph Tung
	Title:	Chief Financial Officer

Meeting Agenda

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Advanced Semiconductor Engineering, Inc.

2006 Annual Shareholders’ Meeting

MEETING PROCEDURE

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2. **Chairperson's opening remarks**
3. **Status report**
4. **Matters for ratification**
5. **Matters for discussion**
6. **Elections**
7. **Other proposals**
8. **Extempore motions**
9. **Meeting ended**

Advanced Semiconductor Engineering, Inc.

2006 Annual Shareholders' Meeting Agenda

1. **Time: June 21, 2006 (Wednesday) at 10 a.m.**

2. **Place: Zhuang Jing Auditorium, 600 Jiachang Rd., Nantz Processing Export Zone, Nantz District, Kaohsiung City**

3. **Present : All shareholders and proxies**

4. **Chairperson's Remarks**

5. **Status Report**

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    Item 1 : Ratification of the Company's 2005 actual budget
    Item 2 : Ratification of the Company's 2005 replenishment plan for loss

7. **Matters for Discussion**

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    Case II: Discussions of revision of Procedure for Endorsement Guarantee
    Case III: Discussions of revision of Rules for Annual Shareholders' Meeting Agenda
    Case IV: Discussions of authorizing the Board to opt at the optimal time for capital increase in cash by joining the issuance of GDR (Global depository receipts) or domestic capital increase in cash or issuance of domestic or foreign convertible bond to raise fund.
    Case V: Discussions of revision of Articles of Incorporation
    Case VI: Proposal of the Proposed Spin-Off (defined below) between the Company and ASE Electronics Inc. is hereby submitted for the shareholders' meeting's approval.

8. **Elections**

    Case I The term of office for directors of the Company is to be expired and, in accordance with, election will be held. In conjunction with the provisions of law, it is proposed that reelection of supervisors will be held first.

9. **Other Proposals**

    Case I Agreement to lift restrictions imposed on newly elected directors of the Company for engagement in competitive business.

10. **Extempore Motions**

11. **Meeting Ended**

Status Report

1. **The Company's 2005 Business Report** (proposed by the Board of Directors)
Explanation: Please see Attachment I for the 2005 Business Report.

2. **Supervisors' Report on 2005 Actual Budget** (proposed by the Board of Directors)
Explanation: Please see Attachment II for the Supervisors' Report on their review.

3. **Report of the Company's aggregate amount of endorsements and guarantees and amounts of loans extended to others as of December 31, 2005** (proposed by the Board of Directors)
Explanation: 1. Details of the Company's amounts of endorsements and guarantees as of December 31, 2005 are as follows:

Unit: NT$1,000

Warrantee	Relationship	Amount Guaranteed
ASE Test Finance Ltd.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	6,341,980 (Note)
ASE Singapore Pte Ltd.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	800,388
ASE Holding Electronics (Philippines), Incorporated	A grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	59,148
ASE (Shanghai) Inc.	A grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	6,046,240
For joint use by ASE (Shanghai) Ltd., ASE Module (Shanghai) Inc. and ASE (Kunshan) Inc.	A grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	492,900
Omniquest Industrial Limited	A subsidiary the Company has direct holdings in excess of 50%	55,862
Grand Total		13,796,518

Note: Including a syndicate loan of US$115,000,000 guaranteed by the Company for subsidiary ASE Test Finance Ltd. for use by subsidiary ASE Test Ltd. The loan is further guaranteed by Asia Test Inc. on behalf of its parent company, ASE Test Ltd.; and another syndicate loan of US$78,000,000 the Company and subsidiary ASE Test Ltd. jointly guaranteed for use by subsidiary ASE Test Finance Ltd.

2. At the time of writing, the company does not have loans granted to others.

D. Report on indirect investment on Mainland China (proposed by the Board of Directors**)**

Explanation: The following depicts the newly added indirect investment out of the Company's own reserves on Mainland China from third countries in 2005:

Approval No. by Investment Commission, MOEA	Name of company on Mainland China with indirect investment	Amount approved
Ching-Shen-Er-Tze-#094013520 dated 06.30/2005	ASE (Shanghai) Inc.	US$30 million
Ching-Shen-Er-Tze-#094025182 dated 11.02/2005	ASE (Shanghai) Inc.	US$30 million
Ching-Shen-Er-Tze-#094035507 dated 12.21/2005	ASE Hi-Tech (Shanghai) Co., Ltd.	US$15 million

Matters for Ratification

Item 1 (proposed by the Board of Directors)

Proposal: Please ratify the Company's report on 2005 actual budget.

Explanation:

1. The Company's 2005 financial statements have been audited and attested by Deloitte & Touche and reviewed by the Supervisors.

2. Please ratify the financial statements (see Attachment III for details) and the 2005 Business Report (see Attachment I for details).

Resolution:

Item 2 (proposed by the Board of Directors)

Proposal: Please ratify the Company□s 2005 replenishment plan for loss.

Explanation: The Board of Directors has drafted the Company□s 2005 replenishment plan for loss plan as shown in the table below in accordance with the Company Law and the Articles of Incorporation for your ratification.

Advanced Semiconductor Engineering, Inc.
2005 Replenishment Plan for Loss

Unit: NT$

Items	Amount
Undistributed earnings from the previous year	$ 198,718,283
Net loss for this year	(4,691,187,035)
Non-replenished loss by the end of the year	$ (4,492,368,752)
Legally reserved surplus used to replenish loss	1,746,914,438
Capital reserve used to replenish loss	2,314,447,284
Balance of non-replenished loss by the end of the year	$ (431,107,030)

Note 1: In accordance with Article 239 of the Company Law, the legally reserved surplus of NT$1,746,914,438 was first used to replenish the loss, followed by capital reserve of NT$2,314,447,284 to make up the loss.

Note 2: Sources of the capital reserve used to replenish the loss were:

(1) Capital reserve of NT$2,093,711,975 resultant from stock premium, including the capital reserve of NT$1,919,679,305 generated from merge of ASE Material Co., Inc and ASE (Chung Li) Inc.

(2) Capital reserve of NT$220,735,309 for trading of treasury stocks, including the capital reserve generated from stock sales of the extinguished companies, ASE Investment Inc. and ASE Capital Inc. before merger.

Note 3: After the replenishment, the Company remains to have balance of non-replenished loss by the end of the year of NT$431,107,030.

Resolution:

Motions for Discussions

Item 1 (Proposed by the Board of Directors**)**

Proposal: Please discuss the revised version of the Company□s Procedure for Acquisition or Disposal of Assets.

Explanation:

1. In conjunction with the revised affirmation criteria for parent and subsidiary companies as set forth in Financial and Accounting Guidelines Gazette #7 and in coordination with the needs of internal operation, the Board of Directors of the Company passed the resolution on April 3, 2006 to revise part of the provisions of the Company□s Procedure for Acquisition or Disposal of Assets.

2. For details of the table of comparison, please refer to Appendix IV attached herewith.

Resolution:

Item 2 (Proposed by the Board of Directors**)**

Proposal: Please discuss the revised version of the Company□s Procedure for Endorsement Guarantee.

Explanation:

1. In conjunction with the revised Guidelines Governing Handling of Capital and Endorsement for Guarantee by Listed Companies promulgated on December 29, 2005 by Financial Supervisory Commission, Executive Yuan, the Board of Directors of the Company passed the resolution on April 3, 2006 to revise part of the provisions of the Company□s Procedure for Endorsement Guarantee.

2. For details of the table of comparison, please refer to Appendix V attached herewith.

Resolution:

Item 3 (Proposed by the Board of Directors**)**

Proposal: Please discuss the revised version of the Company□s Rules for Annual Shareholders□ Meeting Agenda.

Explanation:

1. In conjunction with the revised Company Law pertaining to rules for shares without voting rights, the Board of Directors of the Company passed the resolution on April 3, 2006 to revise part of the provisions of the Company□s. Rules for Annual Shareholders□ Meeting Agenda.

2. For details of the table of comparison, please refer to Appendix VI attached herewith.

Resolution:

Item 4 (Proposed by the Board of Directors**)**

Proposal: To respond to the Company□s future production capacity expansion plan, replenish operating funds, pay off bank loans or meet other funding needs of the Company□s long-term development, and to make the fund raising vehicles more diverse and flexible, the Board proposes to authorize the Board of Directors to raise funds at an appropriate time by issuance of common stock for cash to participate in issuance of global depository receipts, by domestic issuance of common stock for cash, or by issuance of domestic/foreign convertible corporate bonds in light of the market condition and the Company□s funding needs in accordance with the Articles of Incorporation, pertinent laws and various handling principles stated in the following explanation.

Explanation: 1. The principles of authorizing the Board of Directors to carry out the issuance of new shares to participate in issuance of global depository receipts (GDR):

(1) New shares issued to participate in issuance of global depository receipts this time shall be limited to 500,000,000 shares. The Shareholders□ Meeting authorizes the Board of Directors and Chairperson to adjust the issuance within the aforesaid limit to stay in line with market situation, and place the entire issuance in one offering.

(2) The price of shares issued this time for increase in capital in cash by issuing common shares for participation in the issuance of GDR shall be governed by the Self-discipline Rules Governing Fund-raising and Issuance of Securities Assisted by Member Underwrites issued by Chinese Securities Association, which stipulates that the price shall not be lowered than the closing price for the common share on domestic open market on the date the price is set. The issuer may select one of the closing prices for the common share on the first, third and fifth business day prior to the price-setting date and calculate the closing price for common share at the simple arithmetic average minus 90% of average stock price after ex-rights of the non-remunerative appropriated share. If there are changes in related domestic laws and regulations, the price-setting method may change accordingly. In view of the short and volatile function of domestic stock price, the chairman of the board is authorized to adjust the actual issuance price within the above-prescribed scope in consultation with the underwriter, according to international practice, and in reference to international capital market, domestic stock price and the purchase condition so as to raise acceptance by overseas buyers. As such, the price-setting method for issuance of new shares should be reasonable. The deciding method for the price of the GDR issued this time is based on the fair price of common stock traded at the domestic open market, which

allows original shareholders to purchase the common share at home at a price close to that for the GDR without bearing the foreign exchange risk and mobility risk. In other words, there is no major impact upon shareholders equity resultant from the GRD issuance in question. Moreover, new shares issued as a result of capital increase in cash that are eligible for participation in the tranche of the GDR versus the maximum dilution ratio of the original shareholders equity stand at 10.96%, which, in fact, have no major impact upon shareholders equity.

(3) In accordance with Article 267 of the Company Law, 10% of the new issuance will be set aside for purchase by the Companys employeesThe remaining 90% will be publicly offered entirely in the form of global depository receipts as the original shareholders forfeit their rights of subscription according to Article 28-1 of the Securities Transaction Law. For shares not subscribed by employees, the Board of Directors may contact specific parties for purchase or include them in the issuance of global depository receipts, depending on market needs.

(4) Funds raised through issuance of global depository receipts for capital increase in cash are estimated for use in overseas procurement, strengthening of operation capital, repayment of bank loans, purchase of machinery and equipment, single spinoff use or multiple spinoff use. Implementation of the above-mentioned items is expected to be completed within two years. Upon completion, it is estimated that competitiveness of the Company will be further enhanced, operation efficiency elevated, thereby producing positive effect upon shareholders equity.

(5) The Board of Directors is authorized to determine the important particulars of this issuance of stock for cash, including issuance price, shares issued, issuing terms, source of funds, expected net proceeds, planned schedule, and expected benefits, and the global depository receipts issuance plan.

(6) The Board of Directors is authorized to handle matters related to issuance of new shares after the issuance of stock for cash has been approved by the authorities concerned.

(7) The Board of Directors is fully authorized to make changes to the issuing time, issuing terms, share issuance, issuance amount and other items in connection with this issuance of stock for cash and issuance of global depository receipts necessitated by the order of the authorities

concerned, reevaluation of the operational plan, or the objective environment.

(8) The Chairperson and his/her appointed representative are authorized to sign all documents in connection with this issuance of stock for cash and issuance of global depository receipts on behalf of the Company, and handle all related matters.

(9) The Board of Directors is fully authorized to handle matters not specified herein as provided by law.

2. The principles of authorizing the Board of Directors to issue new shares for raising funds in the domestic market:

(1) New shares issued this time shall be limited to 500,000,000 shares.

(2) The new shares will have a par value of NT$10 per share. The actual issuance price will be jointly decided by the Chairperson and underwriters in line with then market status and self-discipline Rules of issuance securities assisted by Member Underwrites issued by Chinese Securities Association. The new shares will be offered after the plan has been approved by the authorities concerned.

(3) This issuance of stock for cash of new shares will be carried out by book building. In accordance with Article 267 of the Company Law, 10% - 15% of the new issuance will be set aside for purchase by company employees. The remaining will be publicly offered entirely via book building as the original shareholders forfeit their rights of subscription according to Article 28-1 of the Securities and Exchange Law. For shares not subscribed by employees, the Board of Directors may contact specific parties for purchase.

(4) Funds raised through issuance of global depository receipts for capital increase in cash are estimated for use in overseas procurement, strengthening of operation capital, repayment of bank loans, purchase of machinery and equipment, single spinoff use or multiple spinoff use. Implementation of the above-mentioned items is expected to be completed within two years. Upon completion, it is estimated that competitiveness of the Company will be further enhanced, operation efficiency elevated, thereby producing positive effect upon shareholder's equity.

(5) The Board of Directors is authorized to determine the important particulars in this issuance of stock for cash, including issuance price, shares issued, issuing terms, source of funds, expected net proceeds,

planned schedule, and expected benefits. The Board of Directors is also fully authorized to make changes to the issuing plan in connection with this issuance of stock for cash necessitated by the order of the authorities concerned, reevaluation of the operational plan, or the objective environment.

(6) The Board of Directors is authorized to separately set the determination date after this issuance of stock for cash plan has been approved by the authorities concerned.

(7) The Board of Directors is fully authorized to make changes to the method of issuance as described in the preceding Subparagraph (3) necessitated by regulatory change or the objective environment.

(8) The Board of Directors is fully authorized to handle matters not specified herein as provided by law.

3. The principles of authorizing the Board of Directors to issue domestic/foreign convertible corporate bonds:

(1) Shares for conversion: They shall be limited to shares reserved for conversion of corporate bonds at the time of issuance.

(2) Time of issuance: It depends on funding needs of the Company and market status.

(3) Coupon rate: In reference to market rate at the time of issuance and being reasonable.

(4) Term of maturity: Depending on funding needs of the Company.

(5) Issuance conditions: As advised by the underwriters and in compliance with relevant laws and regulations.

(6) Funds raised from issuance of domestic/foreign convertible corporate bonds are estimated for use in overseas procurement, strengthening of operation capital, repayment of bank loans, purchase of machinery and equipment, single spinoff use or multiple spinoff use. Implementation of the above-mentioned items is expected to be completed within two years. Upon completion, it is estimated that competitiveness of the Company will be further enhanced, operation efficiency elevated, thereby producing positive effect upon shareholder's equity.

(7) The Board of Directors is authorized to determine the issuing rules, expected net proceeds, planned schedule, and expected benefits in connection with the issuance of convertible bonds.

(8) The Chairperson and his/her appointed representative are authorized to sign all documents in connection with this issuance of convertible bonds on behalf of the Company, and handle all related matters.

(9) The Board of Directors is fully authorized by handle matters not specified herein as provided by law.

Resolution:

Item 5 (Proposed by the Board of Directors)

Proposal: Revision of Articles of Incorporation

Explanation: 1. In coordination with the needs of operation, part of the Company’s Articles of Incorporation is recommended for revision.

2. See Attachment VII for the table of comparison of the suggested revision.

Resolution:

Item 6 (Proposed the Board of Directors)

Proposal: Proposal of the Proposed Spin-Off (defined below) between the Company and ASE Electronics Inc. is hereby submitted for the shareholders’ meeting’s approval.

Explanation: 1. In order to facilitate its business specialization, to strengthen its core competencies and to further develop its line of business, the Company proposes to divide its existing material business department (including assets, liabilities, and business) to its wholly owned subsidiary, ASE Electronics Inc., and to receive new shares issued by ASE Electronics Inc., as consideration (the “Proposed Spin-Off”). It is anticipated that with independent operation after such division, the total performance and competitiveness of the material business department will be enhanced.

2. The scope of the divided material business department (including assets, liabilities, and business) is set aside in the attached “Spin-Off Plan”. The value of the assets to be transferred from the Company to ASE Electronics Inc., after deduction of the value of the liabilities to be transferred, is NT$ 2,254,673,641 With reference to the fairness opinion issued by independent experts in connection with the fair value of the Company's material business department and the reasonableness of the consideration paid by ASE Electronics Inc. through its newly issued shares, it is proposed that each and every new shares issued by ASE Electronics Inc. shall be in exchange for NT$10 of the total commercial value of the material business department divided from the Company, and the Company shall receive 225,467,364 new shares issued by ASE Electronics Inc., at a par value of NT$ 10 per share as consideration of the divided material business department transferred to ASE

Electronics Inc..

3. Please see Attachment VIII and Schedule 3 of Attachment VIII for the Spin-Off Plan and the fairness opinion.

4. Where it is necessary to adjust the scope of business, the amount (including assets, liabilities and business) of the material business department, or the number of shares issued by ASE Electronics Inc., as consideration, other matters relating to the Proposed Spin-Off (including but not limited to the time schedule and the spin-off record date), where there are any outstanding matters, or where the Proposed Spin-Off shall be revised in accordance with the administrative instructions of the competent authorities or relevant laws or changes in the objective environment, it is proposed that the Company's annual shareholders meeting grant the Company's board of directors full authority to handle the same.

5. Where approval or permission from the competent authorities is not obtained in respect of the Proposed Spin-Off, the Proposed Spin-Off shall be deemed to be invalid.

Resolution:

Elections

Item 1 (proposed by the Board of Directors**)**

Proposal: The term of office for directors of the Company is to be expired and, in accordance with, election will be held. In conjunction with the provisions of law, it is proposed that reelection of supervisors will be held first.

Explanation:

1. The Company has 7 directors, whose terms of office expired on June 18, 2006 and, by law, reelection for replacement should be held. The terms of office for new directors shall commence as of June 22, 2006 end on June 21, 2009 for 3 full years.

2. The Company has 5 supervisors, whose terms of office are due to expire on June 14, 2007. However, in order to meet the requirements set forth in the revised Securities Transaction Law stipulating no representative of juridical person shareholders of listed company may be elected or assume the post of director and supervisor concurrently of a company and for consideration that representative of juridical person shareholders has been elected director and supervisor of the Company at present, it is proposed to hold an all-out reelection for directors and supervisors at the same time. The terms of office for new directors shall commence as of June 22, 2006 end on June 21, 2009 for 3 full years.

Election Results:

Other Proposals

Item 1 (Proposed by the Board of Directors)

Proposal: Agreement to lift restrictions imposed on newly elected directors of the Company for engagement in competitive business

Explanation:

1. According to Article 209 of The Company Law, any director who engages in behavior for himself/herself or other that falls under the scope of the Company□s business, he/she should explain to the Shareholders□ Meeting of he major contents of his/her behavior and obtain permission.

2. It is noted that newly directors of the Company may have behaved in such manners as making investment in or engaging in business that is similar to the lines of business of the Company or businesses of the Company□s spinoff or serving in the post of director or manager. However, under the premises that the interest of the Company is not impaired, the Board recommends in accordance with law that shareholders agree to lift restrictions imposed on newly elected directors, if applicable.

Resolution:

Extempore motions

Meeting Ended

Attachment I

Business Report

2005 turned out to be another phenomenal fiscal year for Advanced Semiconductor Engineering, Inc. (ASE), despite a slow start to the first half of the year. ASE recorded year on year growth of 12% higher than the semiconductor industry growth of 7%. This continued growth can be attributed to several tactical strategies implemented corporate-wide to improve efficiency, control cost, and maximize output. In light of the continued shareholders support as well as the Companys stellar revenue performance, the management has focused strongly on expanding shareholders returns and generating positive cash flow for a stronger financial portfolio. The following is a report of the Companys operation in the past year:

Results of 2005 operations

1. 2005 business plan and the results of its implementation

We closed the fiscal year with total revenues of NT$84 billion (12% year-on-year growth vs. FY2004) and a net loss of NT$4.7 billion (vs. net profit of NT$4.2 billion in FY2004)). The net loss was largely due to the impact of the fire mishap at ASEs Chung Li facility in May of 2005.

The fire incident caused a disruption to the entire backend supply chain, and prompted us to critically review our internal processes in light of the market realities. We decided to implement programs that better justify current and future investments in the infrastructure required to improve and support our business, as well as to provide a better margin of returns. With the co-operation of our customers, suppliers, staff, and management, we successfully:

- adjusted unit prices of package and test costs to reflect the increase in the cost of sales
- implemented fee schedules for services such as engineering, design, and small lot processing
- improved utilization of assembly and test equipment to maximize capacity
- reduced the customer base so that top tier and loyal customers of ASE are better served
- focused on quality and technology development to facilitate the next quantum leap

As a result of the renewed business model, we were still able to report an increase in total revenues and higher operating margins, despite the challenge we faced in May.

2. Update on budget implementation

   The Company did not make any financial forecast.

3. Analysis of Income, Expense, and Profitability

   At the end of 2005, paid-up capital was NT$45,573,723,000. Shareholders equity was NT$47,050,196,000 - accounting for 48% of the total assets of NT$97,806,132,000. Long-term capital accounted for 209% of fixed assets. The current ratio was 123%, an obvious improvement compared with 2004. Our financial structure and debt repayment capability have both strengthened. Operating income in 2005 amounted to NT$4,067,730,000. Excluding the loss incurred by the fire, our operating profits remained positive and revenues improved year-on-year.

4. Research and Development

   The trend for electronics moving towards lighter, thinner and smaller product designs packed with high performance features, has perennially posed challenges to engineers and manufacturers. Technology advances in IC packaging and test have been instrumental in enabling these designs to market. ASE has been in the forefront of continuous research and development of advanced packaging technologies. In 2005, the Company successfully developed package modules for applications in megapixel digital cameras and mobile phones, as well as micro-electro mechanical system (MEMS) modules for applications in projection equipment and high definition digital TVs. Other milestones in technology development included the deployment of high-lead electroplated bumping and advanced wafer level chip scale packaging. In earlier times, these technologies were only available at US-based semiconductor powerhouses. The increased outsourcing of assembly manufacturing to service providers such as ASE, has provided the impetus to refining these technologies and offering them on a broader scale.

   R&D efforts remain a core competence at ASE as investments in this area will generate high returns in the long run.

Highlights of 2006 Business Plans

1. Operation Guidelines

   The Companys key objectives are 1) to provide customers quality and professional service; 2) to create long-term and steady profits for the Company and its customers; 3) to co-operate with our key suppliers for mutual benefits; 4) to train employees and provide opportunities for excellence in their profession; 5) to treat employees fairly and reward appropriately; 6) to provide an open and harmonious work environment for employees; and 7) to exercise a degree of flexibility in business operations.

2. Sales Volume Projection and the Basis

In analyzing the current market environment, anticipated demands, and the Company's production capacity, we estimate 2006 unit volume sales as follows:

Item	Estimated Sales Volume (units)
Packaging	5 billion
Testing	900 million
Material	200 million

3. Marketing Strategies

- Maintain cordial relationships with existing IDM customer base and aggressively develop new business opportunities with potential customer base so as to increase market share, as well as enhance our competitive edge in the marketplace.
- Strengthen R&D capabilities and provide new technologies and services to meet customers demand on product, price, and quality in addition to creating a win-win situation through collaboration with customers.
- Continue with the ramp up in the production of IC substrates to enable the Company a better margin of return in its complete manufacturing process and to enhance its total turnkey solution offerings.

Future Development and the Strategy of the Company

As we venture further into 2006, we remain optimistic about the year's outlook as the 3C segments Communications, Consumer, Computing remain strong. New products continue to be launched to meet consumers' insatiable demands and will thus continue to drive a steady semiconductor industry growth. In the past year, semiconductor assembly and test service providers (SATS) have curbed their capital expenditure to restore the balance in supply and demand. At one point, capacity constraints were experienced when demand exceeded supply. Since the fire at ASE's Chung Li facility, the Company took a critical review of its business model and re-directed focus on profitability instead of aggressive revenue growth. We believe that current utilization will remain high and our capex spending will be appropriated on a limited scale.

According to a recent estimate by the World Semiconductor Trade Statistics (WSTS), semiconductor revenues in 2006 will reach US$245.3 billion, an increase of 8% compared to 2005. With a strong team at ASE, we firmly believe that our performance will again be above industry average and we will remain as the leader in the backend service industry.

Impact from the Competitive Landscape, Governing Laws & Regulations and Management Policies

In the past, the entry barriers for assembly and test service providers were considerably high. However, recent developments in the industry as well as increasing technology exchange programs and licensing have turned high end packages such as Ball Grid Array (BGA) packages, Flip Chip and advanced IC test services, into mainstream products and services. These technologies, nevertheless, require large amounts of investment outlay. ASE, with its financial strength, is well positioned to continue its investments in technologies and equipment, and in mergers and acquisitions of companies and assets that complement its business objectives. The Company continues to enlarge its market share with IDMs increased outsourcing business opportunities. ASE aims to compete aggressively in the market and overcome internal and external challenges to meet its business goals and objectives.

Jason C. S. Chang	**Richard H. P. Chang**
Chairman	**Vice Chairman**

Attachment II

Supervisors' Report

To: 2006 Annual Shareholders Meeting

We have examined the Company's 2005 financial statements, and the Company's business report, earnings distribution proposals, etc. that have been prepared and submitted by the Board of Directors and audited and attested by certified public accountants, Chiang Jia-Ling and Tseng Kung-Min of Deloitte & Touche, and do not find any discrepancy. We hereby respectfully prepare and present this Report in accordance with Article 219 of the Company Law for your review.

Advanced Semiconductor Engineering, Inc.

Supervisors: Feng Mei-Jean
John Ho
Liu Hsiao-Ming
Chin Ko-Chien
Tseng Yuan-Yi

April 27, 2006

Advanced Semiconductor Engineering, Inc.

Financial Statements for the
Years Ended December 31, 2005 and 2004 and
Independent Auditors Report

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders
Advanced Semiconductor Engineering, Inc.

We have audited the accompanying balance sheets of Advanced Semiconductor Engineering, Inc. (the Company) as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Companys management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 23 to the financial statements, the Company incurred fire damage to one of its production lines in Chung Li, Taiwan on May 1, 2005. The Company recognized an estimated loss of NT$11,849,699 thousand for the damage to its building, machinery and inventories. With the assistance of external counsel, the Company submitted insurance claims to its insurers for compensation for damages which the Company believes to be clearly identifiable. Based on the Companys understanding of the process for resolving insurance claims for similar incidents where the damage incurred was not readily quantifiable, it is anticipated that it will be a lengthy process for the Company to complete the insurance claim process due to the large number of damaged assets and the need to prepare the required supporting documentation. As a result, the Company is unable to make a reasonable estimate of the amount of total claims to be received from the insurance companies. The insurance recoveries on the aforementioned damages that are clearly identified and reasonably estimated amounted to NT$4,616,000 thousand, which reduces the total estimated loss, and of this amount NT$2,287,580 thousand had been received as of December 31, 2005. Any recovery for the remaining NT$7,233,699 thousand is contingent on the result of the lengthy professional appraisal process, and as such this amount was recognized as a loss on fire damage for the year 2005. The Company will recognize any subsequent recoveries in future years when additional insurance claims are accepted by the insurers.

As disclosed in Note 3 to the financial statements, the Company adopted Republic of China Statement of Financial Accounting Standards No. 35 "Impairment of Assets" on December 31, 2004.

February 23, 2006

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

	2005		2004		
ASSETS	**Amount**	**%**	**Amount**	**%**	**LIABILITIES AND SHAREHOLD**
CURRENT ASSETS					CURRENT LIABILITIES
Cash (Note 5)	$ 4,913,923	5	$ 2,967,634	3	Short-term borrowings (Note 10)
Short-term investments (Note 2)	-	-	4,350	-	Accounts payable
Notes receivable	81,698	-	87,432	-	Accounts payable to related parti
Accounts receivable (Note 6)	8,852,651	9	6,932,478	7	Income tax payable (Note 18)
Accounts receivable from related parties (Note 20)	264,863	-	77,935	-	Accrued expenses (Notes 14 and
Other receivables (Notes 6, 23 and 24)	3,157,876	3	695,427	1	Other payable to related parties (
Other receivables from related parties (Note 20)	291,934	-	326,753	-	Payable for properties
Inventories (Notes 2, 3 and 7)	6,166,166	6	6,865,968	7	Other payable (Note 15)
Deferred income tax assets (Notes 2 and 18)	1,289,294	2	1,190,938	1	Current portion of long-term ban (Notes 12 and 21)
Prepayments and other (Note 24)	299,106	1	415,589	-	Current portion of capital leases (Notes 2 and 13)
					Other
Total current assets	25,317,511	26	19,564,504	19	
					Total current liabilities
LONG-TERM INVESTMENTS					
Long-term investments - equity method (Notes 2, 3 and 8)	29,805,833	31	27,121,171	27	LONG-TERM LIABILITIES
Long-term investments - cost method (Note 2)	58,083	-	50,000	-	Long-term bonds payable (Notes
Prepaid for long-term investments	8,083	-	-	-	Long-term loans (Notes 12 and 2
Other long-term investments	50,000	-	50,000	-	Capital leases obligations (Notes
Total long-term investments	29,921,999	31	27,221,171	27	Total long-term liabilities
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9, 20, 21 and 22)					OTHER LIABILITIES
Cost					Accrued pension cost (Notes 2 ar
Land	1,558,201	2	1,558,201	2	Unrealized intercompany profit (
Buildings and improvements	14,239,471	15	14,305,267	14	Other financial liabilities (Note 2
Machinery and equipment	47,931,028	49	48,313,662	48	Deferred credits of long-term inv (Notes 2 and 8)
Transportation equipment	68,511	-	64,959	-	
Furniture and fixtures	974,867	1	922,873	1	Total other liabilities
Leased assets	1,469,962	1	3,075,162	3	
					Total liabilities
Total cost	66,242,040	68	68,240,124	68	
Accumulated depreciation	32,825,973	34	31,687,330	32	SHAREHOLDERS’ EQUITY (Notes

	33,416,067	34	36,552,794	36
Construction in progress	1,490,478	1	2,157,508	2
Machinery in transit and prepayments	1,522,972	2	8,487,020	9
Net properties	36,429,517	37	47,197,322	47
GOODWILL (Notes 2 and 4)	1,380,830	1	1,541,703	2
OTHER ASSETS				
Rental properties (Note 2)	-	-	218,083	-
Guarantee deposits	159,659	-	186,188	-
Deferred charges (Note 2)	1,495,142	2	1,831,233	2
Deferred income tax assets (Notes 2 and 18)	2,939,964	3	2,359,993	3
Restricted assets (Note 21)	138,715	-	135,310	-
Other	22,795	-	4,744	-
Total other assets	4,756,275	5	4,735,551	5
TOTAL	$ 97,806,132	100	$ 100,260,251	100

Capital stock - $10 par value
Authorized - 6,300,000 thousanc
in 2005 and 5,150,000 thousa
Issued - 4,557,372 thousand sha
and 4,100,000 thousand share

Capital received in advance

Capital surplus
Capital in excess of par value
Treasury stock
Long-term investment

Total capital surplus

Retained earnings (Accumulated

Other equity adjustments
Unrealized loss on long-term inv
Cumulative translation adjustm
Unrecognized pension cost
Other

Total other equity adjustments

Treasury stock - 184,713 thousan
and 167,949 thousand shares in

Total shareholders’ equity

TOTAL

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 23, 2006)

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Share Data)

	2005		2004	
	Amount	**%**	**Amount**	**%**
REVENUES (Notes 2, 20 and 26)	$ 54,200,019	101	$ 43,912,834	102
LESS: SALE ALLOWANCES AND RETURNS	676,315	1	706,867	2
NET REVENUES	53,523,704	100	43,205,967	100
COST OF REVENUES (Notes 17, 20 and 22)	45,016,287	84	34,677,446	81
GROSS PROFIT	8,507,417	16	8,528,521	19
OPERATING EXPENSES (Notes 17, 20 and 22)				
Selling	941,590	2	953,973	2
General and administrative	1,902,755	3	1,383,182	3
Research and development	1,595,342	3	1,198,376	3
Total operating expenses	4,439,687	8	3,535,531	8
INCOME FROM OPERATIONS	4,067,730	8	4,992,990	11
NON-OPERATING INCOME				
Interest (Note 24)	82,456	-	46,304	-
Foreign exchange gain, net (Notes 2 and 24)	86,493	-	47,766	-
Other	291,308	1	264,436	1
Total non-operating income	460,257	1	358,506	1
NON-OPERATING EXPENSES				
Interest (Notes 2, 9 and 24)	991,591	2	568,082	1
Investment loss under equity method (Notes 2, 3 and 8)	55,895	-	549,628	1
Other investment loss (Notes 2 and 3)	-	-	493,380	1
Loss on fire damage, net of recoveries (Note 23)	7,233,699	14	-	-
Other (Notes 6 and 11)	1,612,020	3	186,263	1
Total non-operating expenses	9,893,205	19	1,797,353	4
INCOME (LOSS) BEFORE INCOME TAX	(5,365,218)	(10)	3,554,143	8

INCOME TAX BENEFIT (Notes 2 and 18)	674,031	1	682,391	2

(Continued)

	2005		2004	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ (4,691,187)	(9)	$ 4,236,534	10
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 3)	-	-	(26,844)	-
NET INCOME (LOSS)	$ (4,691,187)	(9)	$ 4,209,690	10

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 19)				
Basic				
Income (loss) before cumulative effect of change in accounting principle	$ (1.23)	$ (1.07)	$ 0.84	$ 1.00
Cumulative effect of change in accounting principle	-	-	(0.01)	(0.01)
Net income (loss)	$ (1.23)	$ (1.07)	$ 0.83	$ 0.99
Diluted				
Income (loss) before cumulative effect of change in accounting principle	$ (1.23)	$ (1.07)	$ 0.83	$ 0.97
Cumulative effect of change in accounting principle	-	-	(0.01)	(0.01)
Net income (loss)	$ (1.23)	$ (1.07)	$ 0.82	$ 0.96

PRO FORMA INFORMATION

Had the Company's shares held by subsidiaries been accounted for as investment rather than treasury stock:

	2005	2004
Net income (loss) for purpose calculation of the basic EPS	$ (4,691,187)	$ 4,209,690
Net Income (loss) for purpose calculation of the diluted EPS	$ (4,691,187)	$ 4,373,239
Weighted average number of common shares (in thousands)	4,370,514	4,264,813

Add: Shares (in thousands) held by subsidiaries	184,713	78,113
Number of shares used (in thousands) for purpose of the basic EPS calculation	4,555,227	4,342,926
Add: Potential number shares issuable upon exercise of unvested options	-	68,909
Issuable upon conversion of convertible bonds	-	212,145
Number of shares used (in thousands) for purpose of the diluted EPS calculation	4,555,227	4,623,980
Earning (loss) Per Share		
Basic		
Income (loss) before cumulative effect of change in accounting principle	$ (1.03)	$ 0.98
Cumulative effect of change in accounting principle	-	(0.01)
Net income (loss)	$ (1.03)	$ 0.97
Diluted		
Income (loss) before cumulative effect of change in accounting principle	$ (1.03)	$ 0.96
Cumulative effect of change in accounting principle	-	(0.01)
Net income (loss)	$ (1.03)	$ 0.95

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 23, 2006) (Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

			Capital Surplus				Reta (Accu	
	Capital Stock	Capital Received in Advance	Capital in Excess of Par Value	Treasury Stock	Long-term Invest-ment	Total	Legal Reserve	
BALANCE, JANUARY 1, 2004	$ 35,802,800	$ -	$ 14,777	$ 220,735	$ 3,811,262	$ 4,046,774	$ 1,051,665	$

Appropriations of 2003 earnings							
Legal reserve	-	-	-	-	-	-	274,279
Compensation to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-
Bonus to employees - stock	154,272	-	-	-	-	-	-
Stock dividends - 5.7%	2,219,774	-	-	-	-	-	-
Capital received in advance from stock option exercised by employees	-	42,759	-	-	-	-	-
Reclassification of ASE Inc. treasury stock	-	-	-	-	-	-	-
Valuation loss on derivative financial instruments	-	-	-	-	-	-	-
Adjustment of equity in subsidiary	-	-	-	-	15,332	15,332	-
Issuance of common stock through merger	2,823,154	-	3,153,342	-	-	3,153,342	-
Elimination of long-term investment balance on consolidation	-	-	-	-	(242,792)	(242,792)	-
Net income in 2004	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2004	41,000,000	42,759	3,168,119	220,735	3,583,802	6,972,656	1,325,944
Appropriations of 2004 earnings							
Legal reserve	-	-	-	-	-	-	420,969
Compensation to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-
Bonus to employees - stock	255,675	-	-	-	-	-	-
Cash dividends - 1%	-	-	-	-	-	-	-
Stock dividends - 6.99%	2,878,548	-	-	-	-	-	-
Capital surplus transferred to common stock - 2.99%	1,233,663	-	(1,233,663)	-	-	(1,233,663)	-

Adjustment of equity in subsidiary	-	-	-	16,768	1,275	18,043	-	
Reversal of valuation loss on derivatives financial instruments	-	-	-	-	-	-	-	
Stock option exercised by employees								
Common stock	205,837	(42,759)	159,256	-	-	159,256	-	
Capital received in advance	-	156,228	-	-	-	-	-	
Net loss in 2005	-	-	-	-	-	-	-	
Cumulative translation adjustments	-	-	-	-	-	-	-	
BALANCE, DECEMBER 31, 2005	$ 45,573,723	$ 156,228	$ 2,093,712	$ 237,503	$ 3,585,077	$ 5,916,292	$ 1,746,913	$

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

(With Deloitte & Touche audit report dated February 23, 2006)

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (4,691,187)	$ 4,209,690
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	7,135,150	5,662,773
Amortization	790,792	513,686
Provision for doubtful accounts and sales allowance	43,288	64,670
Allowance for inventory valuation	544,486	45,300
Loss on disposal of properties, net	61,572	17,624
Investment loss under equity method	55,895	549,628
Other investment loss	-	493,380
Accrued interests on foreign convertible bonds	241,394	255,172
Unrealized Exchange loss (gain) on foreign convertible bonds payable and accrued interests	215,762	(425,822)
Deferred income taxes	(678,327)	(738,459)
Cash dividends received from long-term stock investments	60,784	57,814
Valuation loss (gain) on derivative financial instruments	(94,386)	308,138
Loss on fire damage	6,886,154	-
Effect of exchange rate changes	48,574	179,163
Accrued pension cost	162,336	112,544
Other	142,010	34,699
	10,924,297	11,340,000
Changes in operating assets and liabilities		
Notes receivable	5,734	15,285
Accounts receivable (including related parties)	(2,150,389)	3,855,861
Other receivables (including related parties)	(168,535)	(859,521)
Inventories	(628,353)	(2,968,148)
Prepayments and other current assets	242,408	(180,569)
Accounts payable (including related parties)	3,742,890	(1,404,701)
Income tax payable	(33,637)	7,806
Accrued expenses	91,342	536,227
Other payables (including related parties)	(11,181)	369,083
Other current liabilities	103,280	40,110
Net cash provided by operating activities	12,117,856	10,751,433

CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	4,314	155,469
Acquisition of properties	(8,585,987)	(11,993,527)
Increase in long-term investments	(2,462,790)	(3,033,792)
Proceeds from insurance claims	2,287,580	-
Cash received from return of capital on long-term investment	53,300	405,000
Proceeds from sales of properties	273,618	67,602
Increase in other assets	(310,542)	(592,829)

(Continued)

	2005	2004
Increase in guarantee deposits	$ (8,577)	$ (27,843)
Decrease (increase) in restricted assets	(3,405)	1,286
Net cash used in investing activities	(8,752,489)	(15,018,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	4,579,292	990,267
Repayments of commercial papers	-	(129,987)
Proceeds from sale of account receivable	742,868	-
Proceeds from long-term loans	15,979,007	8,956,046
Repayments of long-term loans	(20,619,870)	(10,098,119)
Issuance of domestic secured bonds	-	2,733,112
Redemption of foreign convertible bonds	(502,748)	-
Decrease in capital leases obligations	(1,540,674)	(156,679)
Cash dividends	(411,221)	-
Compensation to directors and supervisors and bonus to employees	(75,720)	(67,748)
Issuance of common stock from exercise of stock option by employees	322,334	-
Capital received in advance	156,228	42,759
Net cash provided by (used in) financing activities	(1,370,504)	2,269,651
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(48,574)	(179,163)
NET INCREASE (DECREASE) IN CASH	1,946,289	(2,176,713)
CASH RECEIVED FROM THE MERGER OF SUBSIDIARIES	-	305,165
CASH, BEGINNING OF YEAR	2,967,634	4,839,182
CASH, END OF YEAR	$ 4,913,923	$ 2,967,634
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 1,225,725	$ 655,896
Less capitalized interest	98,162	140,757
Interest paid, excluding capitalized interest	$ 1,127,563	$ 515,139
Income tax paid	$ 37,933	$ 48,262
Cash paid for acquisition of properties		
Acquisition of properties	$ (7,100,512)	$ (12,896,369)
Increase (decrease) in payable for properties	(1,485,475)	902,842
	$ (8,585,987)	$ (11,993,527)
Cash received from sales of properties		
Sales of properties	$ 263,605	$ 111,716
Decrease (increase) in receivable	10,013	(44,114)

	$ 273,618	$ 67,602
Cash received through the issuance of bonds payable		
Net proceeds	$ -	$ 2,750,000
Issuance expense	-	(16,888)
	$ -	$ 2,733,112

(Continued)

	2005	2004
NON-CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term loans	$ 2,775,290	$ 188,230
Current portion of capital leases obligations	366,472	1,117,799
Short-term borrowings transferred to long-term loans	2,286,940	4,010,781
Reclassification of the Company's shares which are held by subsidiaries from long-term investment to treasury stock	-	2,798,399
Unrealized holding loss on hedges of a net investment in a foreign operation and cash flow hedges	-	36,607
Employee bonus payable	9,536	-

The Company merged with ASE (Chung Li) Inc. and ASE Material Inc., effective August 1, 2004. As of the merger date, the related financial information was as follows:

	ASE Material Inc.	ASE (Chung Li) Inc.	Total
Cash	$ 91,502	$ 213,663	$ 305,165
Other assets	10,202,401	14,887,150	25,089,551
	10,293,903	15,100,813	25,394,716
Liabilities	(7,857,462)	(6,594,489)	(14,451,951)
Net assets received from the merger of subsidiaries	2,436,441	8,506,324	10,942,765
Write-off of long-term investment in subsidiaries	(1,352,185)	(5,465,609)	(6,817,794)
Elimination of long-term investment balance on consolidation	-	242,792	242,792
Issuance of common stock through merger	(532,262)	(2,290,892)	(2,823,154)
Capital surplus - excess of par value	(1,045,582)	(2,107,760)	(3,153,342)
Goodwill	$ (493,588)	$ (1,115,145)	$ (1,608,733)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 23, 2006) (Concluded)

Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2003, 2004 and 2005 and

Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Advanced Semiconductor Engineering, Inc.

We have audited the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. (a corporation incorporated under the laws of the Republic of China) and its subsidiaries (the "Company") as of December 31, 2004 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years ended December 31, 2005, all expressed in New Taiwan dollars. Our audits also included the financial statement schedule accompanying the consolidated financial statements. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants, auditing standards generally accepted in the Republic of China ("ROC") and the Standards of the Public Company Accounting Oversight Board (United States). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the three years ended December 31, 2005, in conformity with accounting principles generally accepted in the Republic of China. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth herein.

As discussed in Note 25 to the consolidated financial statements, the Company incurred fire damage to production lines in Chung Li, Taiwan on May 1, 2005. The Company recognized an estimated loss of NT$13,479,079 thousand (US$410,948 thousand) for the damage to its building, machinery and inventories. The insurance recoveries on the aforementioned damages that are clearly identified and reasonably estimated amounted to NT$4,641,000 thousand (US$141,494 thousand), which reduces the total estimated loss, and of this amount, NT$2,300,000 thousand (US$70,122 thousand) has been received as of December 31, 2005. Any recovery for the remaining NT$8,838,079 thousand (US$269,454 thousand) is contingent on the result of the lengthy professional appraisal process, and as such this amount was recognized as a loss on fire damage for the year 2005.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Republic of China Statement of Financial Accounting Standards No. 35 Accounting for Asset Impairment on December 31, 2004.

Accounting principles generally accepted in the Republic of China differ in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 30 to the consolidated financial statements.

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

February 23, 2006

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

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

	December 31		
	2004	**2005**	
ASSETS	**NT$**	**NT$**	**US$**
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 4)	5,975,103	13,263,788	404,384
Short-term investments (Notes 2 and 5)	3,194,183	4,352,923	132,711
Notes receivable	89,612	83,936	2,559
Accounts receivable, net (Notes 2 and 6)	13,586,635	15,501,680	472,612
Other receivables (Notes 6, 25 and 28)	967,616	3,857,053	117,593
Inventories (Notes 2, 3 and 7)	9,437,257	7,757,077	236,496
Deferred income tax assets (Notes 2 and 20)	1,375,450	1,615,696	49,259
Pledged time deposit (Note 23)	125,599	62,505	1,906
Prepayments and other (Note 28)	1,143,417	1,178,532	35,931
Total current assets	35,894,872	47,673,190	1,453,451
LONG-TERM INVESTMENTS (Notes 2, 3, 8 and 26)			
Long-term investments- equity method	3,534,289	3,494,371	106,536
Long-term investments- cost method	1,323,074	1,272,311	38,790
Prepayment for long-term investments	-	81,375	2,481
Other long-term investment	50,000	50,000	1,524
Total long-term investments	4,907,363	4,898,057	149,331
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9, 14, 15, 22, 23, 25 and 27)			
Cost			
Land	2,391,970	2,255,006	68,750
Buildings and improvements	21,023,396	22,996,143	701,102

	2
LIABILITIES AND SHAREHOLDERS' EQUITY	I
CURRENT LIABILITIES	
Short-term borrowings (Note 11)	3
Commercial papers (Note 12)	
Notes payable	
Accounts payable	7
Income tax payable (Notes 2 and 20)	
Accrued expenses (Notes 16 and 28)	3
Payable for properties (Note 22)	6
Other payable (Note 17)	
Current portion of long-term bank loans (Notes 14 and 23)	2
Current portion of capital leases obligations (Notes 2 and 15)	
Other (Note 6)	
Total current liabilities	25
LONG-TERM DEBTS	
Long-term bonds payable (Notes 2 and 13)	9
Long-term bank loans (Notes 14 and 23)	36
Capital leases obligations (Notes 2 and 15)	
Total long-term debts	46
OTHER LIABILITIES	
Accrued pension cost (Notes 2 and 16)	2

Machinery and equipment	95,462,106	94,978,913	2,895,699
Transportation equipment	122,160	147,802	4,506
Furniture and fixtures	2,479,940	2,613,573	79,682
Leased assets and leasehold improvements	1,095,910	631,708	19,259
Total cost	122,575,482	123,623,145	3,768,998
Accumulated depreciation	(59,116,374)	(62,716,087)	(1,912,075)
	63,459,108	60,907,058	1,856,923
Construction in progress	4,318,509	3,419,828	104,263
Machinery in transit and prepayments	14,562,234	3,713,885	113,228
Net property, plant and equipment	82,339,851	68,040,771	2,074,414
INTANGIBLE ASSETS			
Goodwill (Notes 2, 3 and 10)	3,336,376	2,843,022	86,677
Land use rights (Notes 2 and 26)	623,475	746,087	22,747
Total intangible assets	3,959,851	3,589,109	109,424
OTHER ASSETS			
Guarantee deposits	245,791	223,592	6,817
Deferred charges (Note 2)	2,257,876	1,960,849	59,782
Deferred income tax assets (Notes 2 and 20)	3,838,132	4,046,772	123,377
Restricted assets (Note 23)	137,340	204,632	6,239
Other	369,800	617,688	18,832
Total other assets	6,848,939	7,053,533	215,047

Deferred income tax liabilities (Notes 2 and 20)	
Other financial liabilities (Notes 2 and 28)	
Other (Note 8)	
Total other liabilities	2
Total liabilities	74
COMMITMENTS AND CONTINGENCIES (Note 24)	
SHAREHOLDERS’ EQUITY (Notes 2, 17 and 28)	
Capital stock - NT$10 par value	
Authorized - 5,150,000 thousand shares in 2004 and 6,300,000 thousand shares in 2005	
Issued - 4,100,000 thousand shares in 2004 and 4,557,372 thousand shares in 2005	41
Capital received in advance	
Capital surplus	
Capital in excess of par value	3
Treasury stock	
Long-term investment	3
Total capital surplus	6
Retained earnings (Accumulated deficit)	5
Other equity adjustments	
Unrealized loss on long-term investments	
Cumulative translation adjustments	
Unrecognized pension cost	
Other	
Total other equity adjustments	
Treasury stock - 167,949 thousand shares in 2004 and 184,713 thousand shares in 2005	(2
Minority interest in consolidated subsidiaries	8

				Total shareholders equity	59
TOTAL	133,950,876	131,254,660	4,001,667	TOTAL	133

The accompanying notes are an integral part of the financial statements.
(with Deloitte & Touche audit report dated February 23, 2006)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Par Value)

	Year Ended December 31			
	2003	**2004**	**2005**	
	NT$	**NT$**	**NT$**	**US$**
NET REVENUES (Notes 2 and 30)				
Packaging	43,443,516	58,261,796	66,022,940	2,012,895
Testing	12,142,396	16,473,924	17,121,986	522,012
Other	142,506	501,966	890,872	27,160
Total net revenues	55,728,418	75,237,686	84,035,798	2,562,067
COST OF REVENUES (Notes 19, 22 and 24)				
Packaging	35,694,132	47,115,746	55,894,282	1,704,094
Testing	9,287,142	12,141,233	12,688,893	386,856
Other	136,772	384,101	934,829	28,501
Total cost of revenues	45,118,046	59,641,080	69,518,004	2,119,451
GROSS PROFIT	10,610,372	15,596,606	14,517,794	442,616
OPERATING EXPENSES (Notes 2, 10, 19 and 24)				
Selling	1,204,912	1,341,067	1,100,023	33,537
General and administrative	3,989,325	4,717,653	4,813,177	146,743
Research and development	2,342,943	2,581,089	2,785,432	84,922
Total operating expenses	7,537,180	8,639,809	8,698,632	265,202
INCOME FROM OPERATIONS	3,073,192	6,956,797	5,819,162	177,414
NON-OPERATING INCOME				
Interest (Note 28)	114,469	77,797	173,325	5,284
Equity in earnings of equity method investees (Notes 2 and 8)	-	-	74,292	2,265
Gain on sale of investment	618,857	57,140	71,676	2,185
Foreign exchange gain, net (Notes 2 and 28)	-	-	175,194	5,341
Other	336,546	339,042	252,456	7,697

Total non-operating income	1,069,872	473,979	746,943	22,772
NON-OPERATING EXPENSES				
Interest (Notes 2, 9 and 28)	1,418,883	972,188	1,571,058	47,898
Loss on fire damage (Note 25)	-	-	8,838,079	269,454
Equity in losses of equity method investees (Notes 2 and 8)	240,656	394,995	-	-
Foreign exchange loss, net (Notes 2 and 28)	386,844	148,144	-	-
Realized loss on long-term investments (Note 17)	354,787	-	-	-
Other investment loss (Notes 2 and 3)	-	512,000	-	-
Impairment of goodwill (Notes 2, 3 and 10)	-	1,950,097	-	-
Other (Notes 6 and 13)	451,554	490,435	1,830,814	55,817
Total non-operating expenses	2,852,724	4,467,859	12,239,951	373,169
INCOME (LOSS) BEFORE INCOME TAX	1,290,340	2,962,917	(5,673,846)	(172,983)
INCOME TAX BENEFIT (Notes 2 and 20)	1,278,719	1,397,003	118,656	3,618
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,569,059	4,359,920	(5,555,190)	(169,365)

(Continued)

	Year Ended December 31			
	2003	2004	2005	
	NT$	NT$	NT$	US$
DISCONTINUED OPERATIONS (Note 27)				
Income from discontinued operations, net of income tax expense of NT$572 thousand in 2003, NT$677 thousand in 2004 and NT$2,147 thousand in 2005	196,819	568,222	120,962	3,688
Gain on disposal of discontinued operations, net of income tax expense of NT$1,920 thousand in 2005	-	-	232,737	7,095
	196,819	568,222	353,699	10,783
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,765,878	4,928,142	(5,201,491)	(158,582)
EXTRAORDINARY LOSS (Note 13)	(75,668)	-	-	-
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 3)	-	(26,844)	-	-
NET INCOME (LOSS)	2,690,210	4,901,298	(5,201,491)	(158,582)
Attributable to				
SHAREHOLDERS OF PARENT COMPANY	2,742,796	4,209,690	(4,691,187)	(143,024)
MINORITY INTEREST	(52,586)	691,608	(510,304)	(15,558)
	2,690,210	4,901,298	(5,201,491)	(158,582)
EARNINGS (LOSS) PER SHARE (Note 21)				
Basic EPS				
Before income tax				
Income (loss) from continuing operations	0.48	0.71	(1.31)	(0.04)
Discontinued operations	0.05	0.13	0.08	-
Extraordinary loss	(0.02)	-	-	-
Cumulative effect of change in accounting principle	-	(0.01)	-	-

Income (loss) of parent company's common shareholders	0.51	0.83	(1.23)	(0.04)
After income tax				
Income (loss) from continuing operations	0.64	0.87	(1.15)	(0.03)
Discontinued operations	0.05	0.13	0.08	-
Extraordinary loss	(0.02)	-	-	-
Cumulative effect of change in accounting principle	-	(0.01)	-	-
Income (loss) of parent company's common shareholders	0.67	0.99	(1.07)	(0.03)
Diluted EPS				
Before income tax				
Income (loss) from continuing operations	0.47	0.71	(1.31)	(0.04)
Discontinued operations	0.05	0.12	0.08	-
Extraordinary loss	(0.02)	-	-	-
Cumulative effect of change in accounting principle	-	(0.01)	-	-
Income (loss) of parent company's common shareholders	0.50	0.82	(1.23)	(0.04)
After income tax				
Income (loss) from continuing operations	0.63	0.85	(1.15)	(0.03)
Discontinued operations	0.05	0.12	0.08	-
Extraordinary loss	(0.02)	-	-	-
Cumulative effect of change in accounting principle	-	(0.01)	-	-
Income (loss) of parent company's common shareholders	0.66	0.96	(1.07)	(0.03)

(Continued)

	Year Ended December 31			
	2003	2004	2005	
	NT$	NT$	NT$	US$
EARNINGS PER EQUIVALENT ADS (Note 21)				
Basic EPS				
Before income tax				
Income (loss) from continuing operations	2.39	3.50	(6.55)	(0.20)
Discontinued operations	0.24	0.67	0.41	0.01
Extraordinary loss	(0.09)	-	-	-
Cumulative effect of change in accounting principle	-	(0.03)	-	-
Income (loss) of parent company's common shareholders	2.54	4.14	(6.14)	(0.19)
After income tax				
Income (loss) from continuing operations	3.18			