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Advanced Semiconductor Engineering, Inc.

2003 Annual Report

March 26, 2004

This report is available on the following websites :

1. Market Observation Post System : <http://mops.tse.com.tw/>
2. ASE website : <http://www.aseglobal.com>

Summary Translation

Spokesperson: Richard H. P. Chang
Acting

Title: Vice Chairman and President

Spokespersons: Joseph Tung
Freddie Liu

Title: Chief Financial Officer

Title: Director, Financial Division

Tel: 886-2-87805489

E-mail: Stock@aseglobal.com

	<u>Head Office</u>	<u>Taipei Office</u>
Address:	26 Chin 3rd Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	Room 1901, F19, 333 Keelung Road, Section 1, Taipei, Taiwan
Tel:	886-7-3617131~8	886-2-87805489
Fax:	886-7-3613094、3614546	886-2-27576121
Website:	http://www.aseglobal.com	

Plant Facilities: (Tel : 886-7-3617131)

- Plant 1: 26 Chin 3rd Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 2: F7 ~ 10, 66 Chin 6th Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 3: F2, 47 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 4: F3, 47 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 5: F4 ~ 6, 66 Chin 6th Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 6: F1 & F4, 47 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 7: F2 ~ 3, 66 Chin 6th Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 8: 25 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 9: F8, 109 Nei Huan N. Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Plant 10: F10, 109 Nei Huan N. Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Bumping Plant 1: F1, 66 Chin 6th Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan
- Bumping Plant 2: F5& F6, 109 Nei Huan N. Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan

Transfer Agent: Shareholder Service Division, President Securities Corporation

Address: B1, 8 Tungching Rd., Songshan, Taipei

Website: <http://www.pscnet.com.tw>

Tel: (02)27463797

Independent Certified Public Accountants for the most recent year:

Name of Firm: Deloitte & Touche (T N Soong & Co, and Deloitte & Touche Taiwan combined on
June 1, 2003 to form a new Deloitte & Touche)

Accountants: CPA MichaelK. Tseng, CPA Charles Chen

Address: F7, 168 Chong Cheng 4th Rd., Kaohsiung City

Website: <http://www.deloitte.com.tw>

Fax: 886-7-2514311

Overseas Listing: New York Stock Exchange (NYSE)

For inquiry, visit website: <http://www.aseglobal.com>

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I. Letter to Shareholders

2003 was a milestone year for ASE as we broke record earnings in revenue for the year. We achieved total revenues of NT57,312 million for the fiscal year, up 26% from 2002. As a result, we have widened the lead over our nearest competitor and cemented our leading position as the largest IC backend manufacturing company in the world.

Harvesting the seeds of sagacious capital investments

The semiconductor backend service industry is highly capital intensive and to compete, prompt investment in the right equipment and expansion of manufacturing capacity is crucial to gaining customer orders. During the industry slowdown of 2001-2002, ASE made prudent investments in technology, manufacturing capacity and state-of-the-art equipment while the competition lagged. These investments had fully prepared us to capture a large share of the business when the industry upturn re-surfaced. Demand for our services was strong across our entire customer base. We were able to capitalize on particularly robust demand for high-end capacity from wireless communication customers and computing customers.

In 2003, we spent \$420 million on capacity expansion and equipment. During the year, we entered into strategic alignments with our major vendors to supply us with not only their state-of-the-art equipment but also the critical engineering, marketing and after-sales support for our customers.

Adding value with leading edge technology and service

We continue to research and develop the latest packaging technologies to move ahead of the IC technology curve. Our new package technologies and innovations on existing technologies are in turn driving next generation electronic applications in the computing, consumer and communications market.

According to a January 2004 report by leading semiconductor industry research analyst, Gartner-Dataquest, flip chip technology for graphics and advanced microprocessors is forecast to grow in 2004, because faster speeds and better performance in ICs continue to hog demands in consumer and computing products. We have already seen a steady increase in customers and products for our flip chip packaging and wafer bumping solutions. ASE is also the premier company to offer customers an integrated flip chip backend solution from wafer probing and bumping to flip chip packaging, final test and drop ship to end customers.

Apart from flip chip and wafer bumping technologies, we also experienced increasing volume demand for our mainstream packages; BGA, QFP, TQFP, LQFP, QFN and BCC. The burgeoning of the portable consumer market has also prompted ASE's developments in System-in-package (SIP) and Multi-chip package (MCP) solutions. Furthermore, as the industry moves towards lead free compliance, ASE intends to complete the qualification of all its package products with lead free and green options by the end of 2004. This development will enable us to meet customers' requirements for end products catered to the US, Europe and Japan markets.

Strategic focus: Developing the substrate business and the Japanese market

In addition to ramping up our packaging and test businesses, we also made significant improvement in our substrate operations through ASE Material Inc's facilities in Kaohsiung and Chungli, Taiwan. The demand generated from accelerated migration from traditional leadframe-based packages to laminate-based technology far exceeded existing supply. We believe that our growth and profitability will increase with our capability to offer a steady supply of substrate. This strategy also led to a joint venture agreement signed in October 2003 with Compeq Technologies Inc to develop high end package material, as well as the merger of ASE Material Inc. with the parent company to provide a truly integrated backend solution for our customers.

To realize a stronger foothold in Japan where outsourcing of IC manufacturing is gradually gaining momentum, we announced the acquisition of NEC Electronics' IC packaging and testing operation in Takahata, Yamagata prefecture in Japan in February 2004. The Takahata facility will enable ASE to enhance its presence and ramp up market share with Japanese IDM (integrated device manufacturers) customers.

Maximizing economies of scale, Minimizing cost of business

To further maximize our resources, we aligned the business direction of each manufacturing site by capitalizing on their strengths. ASE's Kaohsiung and Chungli facilities will focus its development and expansion on flip chip, wafer bumping, material capabilities and substrate-based packaging and test. ASE's Korea facility will target RF and automotive packaging technologies serving the steady IC growth in the wireless and communications market. ASE's Penang facility will focus on serving the leadframe-based markets which is experiencing strong demands driven by high frequency and wireless products.

The investments we made over the last few years have enabled us to reap economies of scale resulting in rapid growth for the company. Our equipment and capacity are near utilization and helping to provide an efficient cost of doing business for both the company and customers.

With visible signs of economic improvement in 2004, we expect to ride the wave of optimism in the industry upturn. Notwithstanding that, we believe our technological advances, engineering resources and capital investments are our key strengths that differentiate us from the competition. With the support from our employees, customers, shareholders and suppliers, we would continue to augment these strengths.

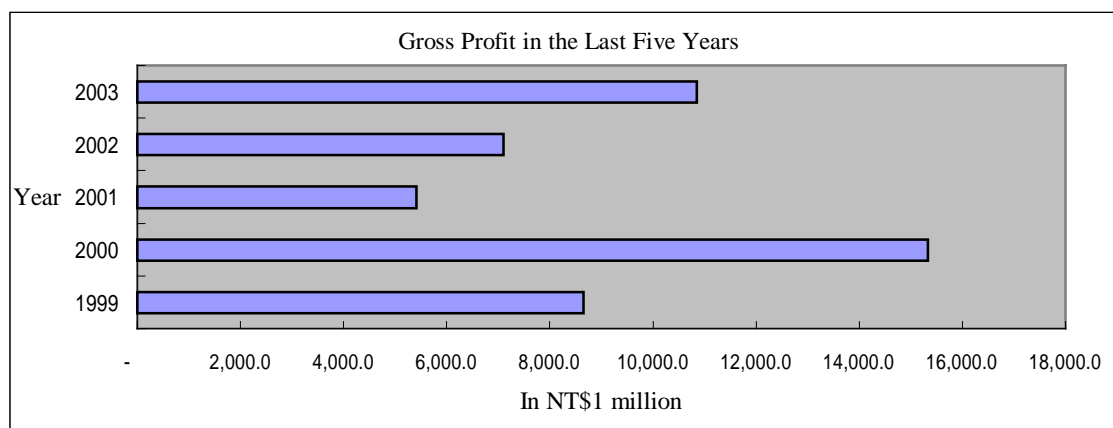
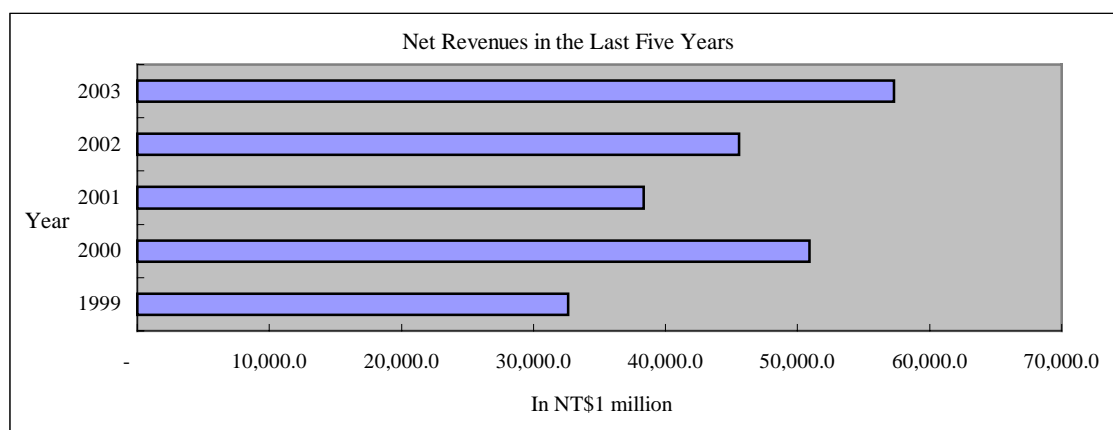
Finally, we thank you for the steadfast support in ASE enabling us to become number one worldwide. We look forward to exceed this year's achievements and report an even more outstanding performance in 2004.

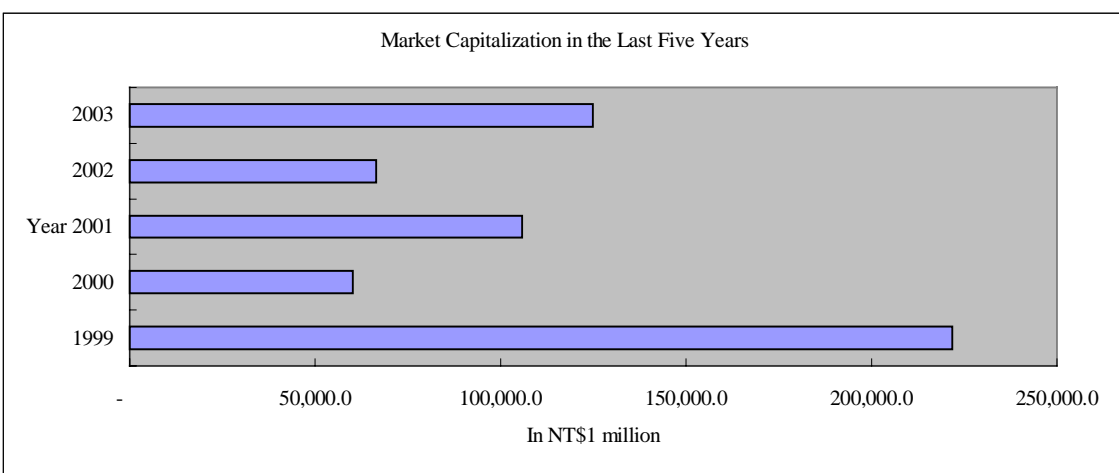
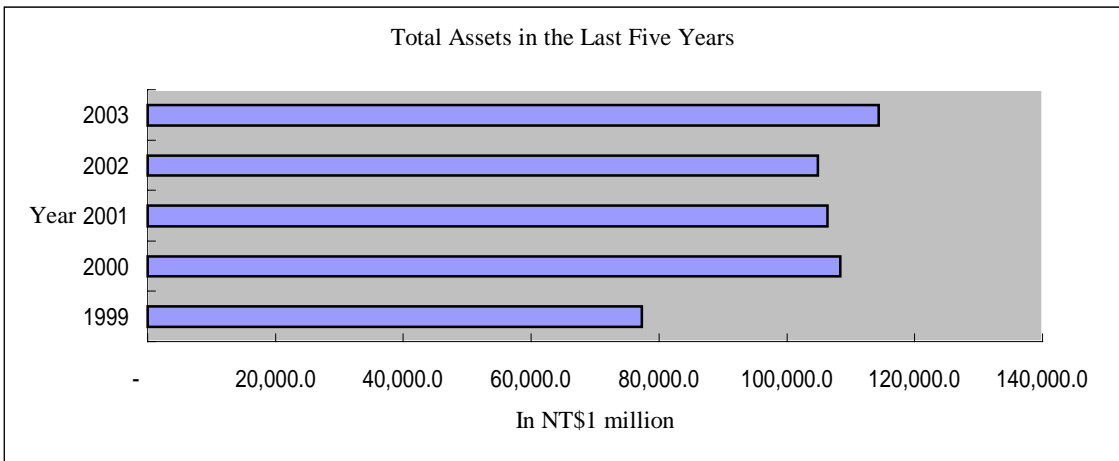
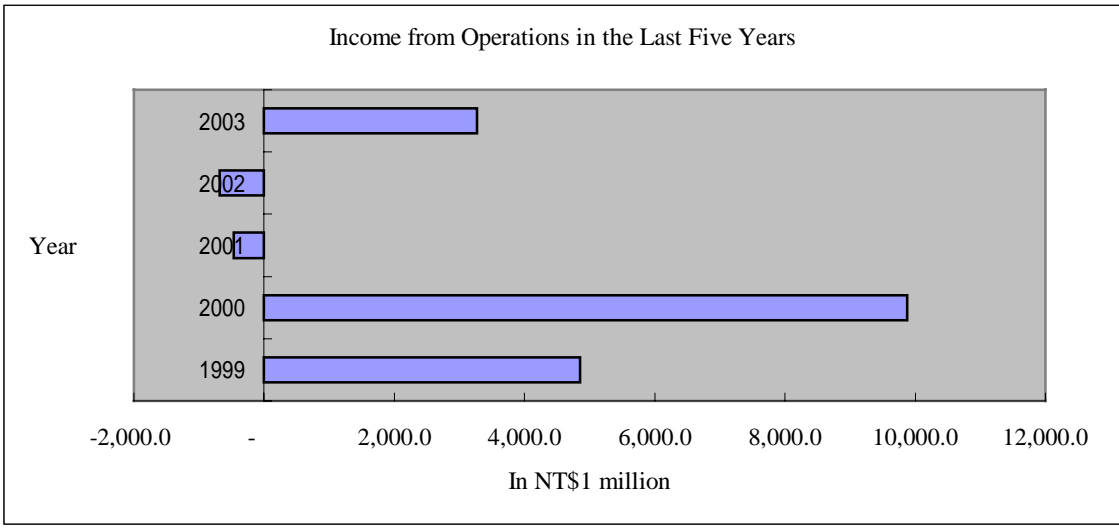
Financial Highlights

(In NT\$ Million)

Consolidated financial and other data (including affiliated companies)	1999	2000	2001	2002	2003
Net sales	32,609.6	50,893.4	38,367.8	45,586.8	57,311.8
Gross profit	8,650.0	15,326.1	5,410.8	7,094.6	10,845.3
Income (loss) from operations	4,848.6	9,877.1	(462.1)	(685.2)	3,270.5
Income (loss) before tax	9,062.4	8,403.6	(2,985.5)	(2,709.7)	1,487.7
Net income (loss) after tax	7,794.7	5,837.2	(2,142.2)	129.0	2,742.8
Earnings per common share (NT\$/share, with retroactive adjustment)	2.23	1.64	(0.60)	0.04	0.78
Dividends per common share (NT\$/share)	3.15	1.7	-	1.0	Note
Properties – net	38,107.5	60,566.2	60,555.1	63,088.9	67,339.9
Stockholders' equity	30,057.0	43,669.2	41,946.3	39,430.7	45,122.6
Total assets	77,330.8	108,341.2	106,326.3	104,869.4	114,324.2
Employees (person)	14,184	18,121	15,681	20,401	24,443
ASE market capitalization	221,760.0	60,268.8	105,781.0	66,397.9	124,951.8

Note: To be determined after shareholders' meeting.





II. Company Overview

A. Company Background

1. Date of establishment: March 23, 1984
2. History:

Advanced Semiconductor Engineering, Inc., or ASE, was established with cash and professional technology by Messrs. Jason C. S. Chang and Richard H. P. Chang, foreign trained scholars who returned to Taiwan in response to the government's call for "repaying your country with setup of industrial establishment." In conjunction with the government policy for developing hi-tech industry, ASE is engaged in the manufacturing, assembly, re-processing, testing and marketing of integrated circuits.

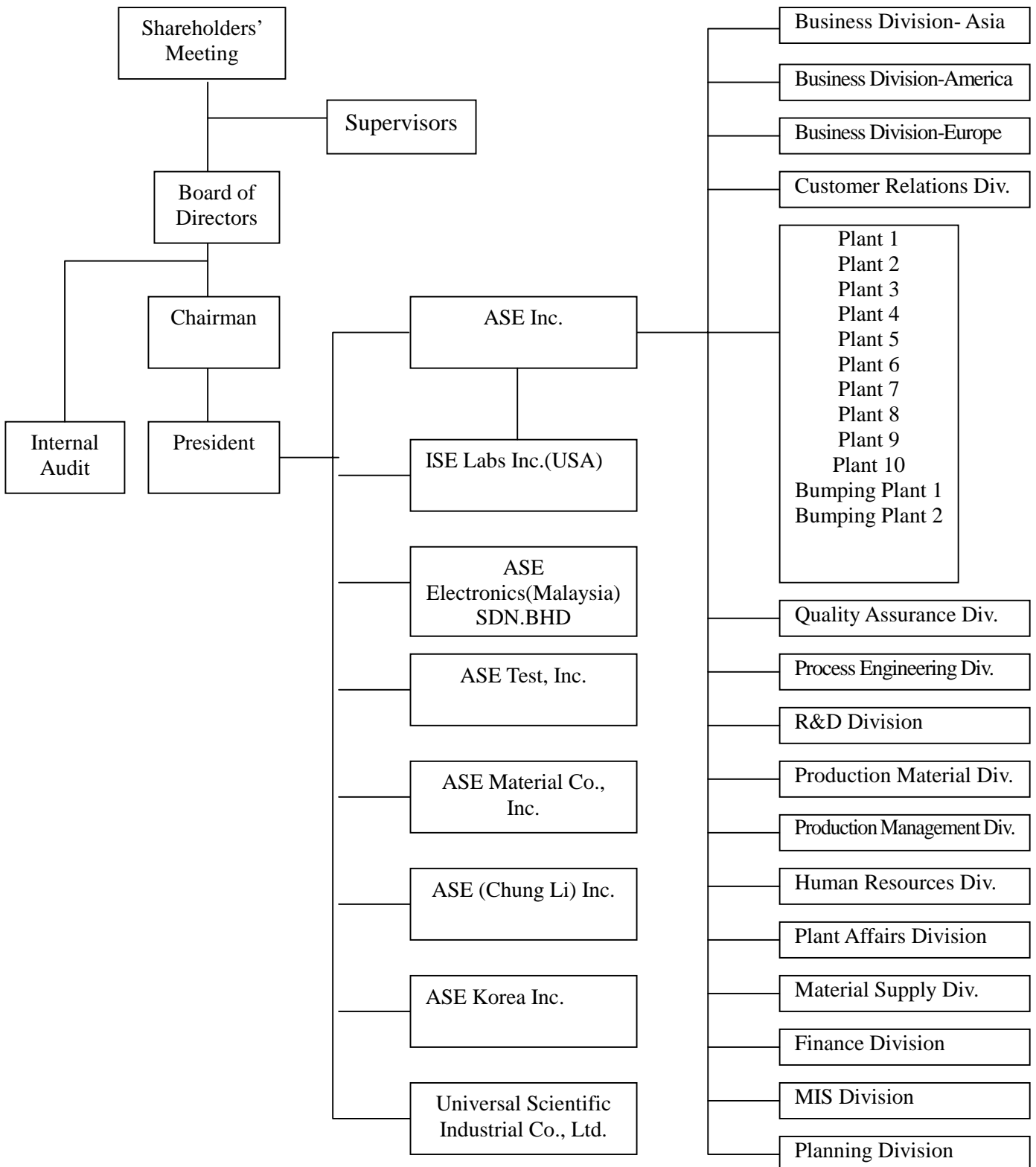
Corporate highlights:

- | | |
|----------------|--|
| March 1984 | : Company formally organized. |
| July 1984 | : Plant started operation. |
| August 1984 | : Started exports of PDIP to Europe, America and Japan. |
| February 1985 | : Started exports of CDIP to Japan, Europe and America. |
| October 1985 | : Started exports of high quality PLCC to the US. |
| May 1987 | : Started exports of high quality PGA and PPGA to Europe and America. |
| July 1989 | : Listed on Taiwan Stock Exchange (TSE) as of July 19 approved by Taiwan Stock Exchange Company, Ltd. per letter (78) Shang-Tze-#4461, citing compliance with share distribution requirements. |
| March 1990 | : Paid NT\$105,006,183 to acquire 99.9% holdings of ASE Test Limited through an M&A deal, thus entering semi-conductor testing market. |
| March 1991 | : Set up ASE Electronics (M) SDN BHD through spin-off to engage in the lines of manufacturing, assembling, re-processing, testing, marketing and exporting of various professional integrated circuits. In yet another spin-off, ASE Marketing Services Limited was organized to facilitate handling of transferred orders and services from productions facilities based in Malaysia. |
| June 1991 | : Organized ASE Technology Inc. in a spin-off to engage in research and development of notebook computer and various portable electronic equipment. |
| August 1991 | : New product EQFP began mass production. |
| November 1991 | : ASE products won Award of Excellence for Quality from MOTOROLA. |
| April 1992 | : ISO 9002 certification granted. |
| July 1995 | : 8,600,000 GDR units issued in Asia, the US and Europe; each unit represented 5 shares of ASE common stock totalling 43,000,000 shares at US\$10 per par value. The IPOs were sold with premium at US\$15.25 per share, raising an equivalent of NT\$3.39 billion. |
| June 1996 | : ASE subsidiary ASE Test Limited listed on the US NASDAQ. |
| September 1997 | : ASE US\$200 million Euro Convertible Bond issued overseas. |
| November 1997 | : Passed SAC (Semiconductor Assembly Council) certification. |

- January 1998 : ASE Test Limited (Singapore), a ASE subsidiary in Singapore issued 1,500,000 common shares in lieu of 120,000,000 units of TDR for trading on TSE.
- March 1998 : Awarded QS 9000 certification for quality.
- September 1998 : Awarded ISO14001 certification for environment quality.
- March 1999 : ASE Test Limited (Singapore), ASE subsidiary in Singapore issued another 2,500,000 common shares in the form of TDR for trading on TSE.
- May 1999 : ASE Test Limited (Singapore), an ASE subsidiary in Singapore, acquired 70% interest of ISE Lab.
- July 1999 : ASE Group acquired Motorola's Chung-li (Taiwan) and PAJU (Korea) plants to launch a long-term strategic alliance with the latter and thereby strengthen ASE Group's vertical integration to cover a wide scope of products.
- Feb-July 1999 : ASE Group bought 20.67% of Universal Scientific Industrial Co., Ltd. from open market, a move designed to upgrade ASE Group's position in the electronic OEM field, further increase more services to clients and augment customer clusters.
- September 2000 : Completed ADR issuance in the US on September 25 (USA time) in a move to strengthen ASE's global competitiveness in the semi-conductor market and thereby enhance ASE corporate image and international name recognition. The ADR was issued in 20,000,000 units where each unit represents 5 shares of ASE common stock, totalling 100,000,000 shares of common stock at \$10.00 each in par value while the actual issued price was US\$7.00 per unit, raising an equivalent of NT\$4.38 billion.
- September 2002 : Won the Outstanding Award from the Industrial Technology Development Award of Ministry of Economic Affairs.
- December 2002 : Obtained the approval of Securities & Futures Commission in August 2002 to issue 160,000,000 units of employee stock options and issued 145,989,000 units by December 2002 with each unit representing one share of ASE common stock.
- July 2003 : Combined subsidiaries ASE Investment Inc. and ASE Capital Inc. which the company has 100% in holdings.
- September 2003 : Issued Euro Convertible Bond of US\$200 million.
- October 2003 : The Board passed resolution to combine subsidiaries ASE (Chung Li) Inc. and ASE Material Inc., setting the exchange of stocks rate at one share of ASE (Chung Li) Inc. for 0.85 shares of ASE; one share of Asia Material Inc. for 0.5 shares of ASE. The company estimated to issue 282,315,437 shares to facilitate the exchange of stocks.
- January 2004 : In a joint venture with Compeq Manufacturing Co., Ltd., the company formed ASE-Compeq Technologies Inc. specialized in IC substrate.
- February 2004 : ASE Group entered into stock purchase agreement with NEC of Japan to acquire NEC Yamagata, Ltd., a packaging and testing plant located in Yamagata Prefecture, Japan.

B. Company Organization

1. Organization Chart:



Major business divisions:

Business Division-Asia: in charge of business development in Asian markets.

Business Division-America: in charge of business development in American markets.

Business Division-Europe: in charge business development in European markets.

Customer Relations Division: in charge of customer service and inquiry.

Manufacturing Division: in charge of semiconductor assembly.

Quality Assurance Division: in charge of quality inspection and assurance.

Process Engineering Division: in charge of semiconductor process management and upgrade.

R&D Division: in charge of research and development of advanced technology.

Production Material Division: in charge of production material management and control.

Production Management Division: in charge of production planning and efficiency management.

Human Resources Division: in charge of human resources management and organizational development.

Plant Affairs Division: in charge of environmental protection, general affairs and work safety industry in plant and administrative areas.

Material Supply Division: in charge of procurement, warehouse and import/export operations.

Finance Division: in charge of finance and accounting operations, asset management, and financial and management accounting.

MIS Division: in charge of construction of information system and promotion of e-business and system services.

Planning Division: in charge of overall planning, strategy management, annual target management, and planning of plant space and land use.

Internal Audit Office: in charge of internal audit of policy, flow process and standards.

2. Directors, Supervisors and Executive Officers

a. Information on Directors and Supervisors

Unit: shares; NT\$1000.

Title	Name	Date Elected	Term of Office	Date First Elected	Shareholdings when elected		Present shareholdings (Note 1)		Holdings by spouse & minor children (Note 1)		Holding in other's name (Note 1)		Education and Experience	Other officer, director or supervisor with familial relations			Pay and other remuneration for the most recent year
					Shares	%	Shares	%	Shares	%	Shares	%		Title	Name	Relations	
Chairman	Jason C. S. Chang	06/19/03	3 yrs	03/11/84	20,254,843	0.62%	22,280,327	0.62%	-	-	-	-	BS, Department of Electrical Engineering, National Taiwan University MS., Illinois Institute of Technology, USA	Vice Chairman	Richard H. P. Chang	Brother	\$190
														Supervisor	Feng Mei-Jean	Brother's spouse	One auto, \$6,460
Vice Chairman	Richard H. P. Chang	06/19/03	3 yrs	03/11/84	37,181,794	1.14%	40,899,973	1.14%	63,383,829	1.77%	-	-	BS, Department of Engineering, Chung Yuan Christian University Chairman, Universal Scientific Industrial Co., Ltd.	Chairman	Jason C. S. Chang	Brother	\$190
														Supervisor	Feng Mei-Jean	Spouse	One auto, \$6,652
Director	A.S.E. Enterprises Limited	06/19/03	3 yrs	03/30/91	628,395,834	19.31%	691,235,417	19.31%	-	-	-	-					\$950
Represented by	Chin Ko-Chien												BS, Department of Marine Engineering, National Taiwan Ocean University Material Department Manager of Fu Hua Engineering Co. Manager of Delivery Center, Tait Marketing & Distribution	-	-	-	One auto \$757
	David Pan												BS, Department of Physics, University of Illinois at Urbana-Champaign, USA Ph. D. of California at Berkeley, USA	-	-	-	-
	Joseph Tung												MBA, University of Southern California VP, corporate financing, Citibank, Taipei	-	-	-	One auto \$1,840
	Jeffery Chen												MBA, University of British Columbia VP, Bankers Trusts Company CFO, ASE Test Limited	-	-	-	One auto \$2,476
	Tien Wu												Ph.D. (Applied Machinery), University of Pennsylvania, USA	-	-	-	-
Supervisor	Feng Mei-Jean	06/01/01	3 yrs	03/11/84	49,803,131	1.81%	63,383,829	1.77%	40,899,973	1.14%	-	-	BS, Department of Economics, National Taiwan University	Chairman Vice Chairman	Jason C. S. Chang Richard H. P. Chang	Spouse's brother Spouse	\$190 One auto \$2,000
Supervisor	A.S.E. Enterprises Limited	06/01/01	3 yrs	04/11/95	526,889,602	19.15%	691,235,417	19.31%	-	-	-	-					\$760
Represented by	John Ho												MBA, University of Iowa, USA Manager, Citibank, Taipei	-	-	-	One auto \$2,476

Title	Name	Date Elected	Term of Office	Date First Elected	Shareholdings when elected		Present shareholdings (Note 1)		Holdings by spouse & minor children (Note 1)		Holding in other's name (Note 1)		Education and Experience	Other officer, director or supervisor with familial relations			Pay and other numeration for the most recent year
					Shares	%	Shares	%	Shares	%	Shares	%		Title	Name	Relations	
					Raymond Lo												
Alan Cheng												BS, Department of Industrial Engineering Department, Chung Yuan Christian University	-	-	-	-	
Tseng Yuan-Yi												BS, Department of Civil Engineering, National Taiwan University Master, Department of System Engineering, Asian Institute of Science and Technology Management Study Program, Chairman, Pan Asia Corporation Engineers & Constructors Chairman, RSEA Thailand Corp. Chairman, RSEA Engineering International (USA) Corp.	-	-	-	-	

Note 1: Actual holding as of the date of this report.

Note 2: Other positions held by company directors and supervisors are presented below:.

Jason C. S. Chang	<p>J&R Industrial Inc. - Chairman & Director (representative) ASE Network Inc. - Chairman & Director (representative) Universal Access Technology Inc.-Director (representative) ASE Technology Inc.- Chairman ASE Test, Inc.-Chairman HR Silvine Electronics Inc. (Hong Kong)-Director ASE Marketing Services Ltd.-Chairman & Director (representative) ASE Test Holding, Ltd.-Director (representative) ASE (Korea) Ltd.-Director (representative) ISE Labs, Inc.-Director (representative) Taiwan Fixed Network Co., Ltd.-Director (representative) ASE Holding Ltd. (Bermuda) -Director (representative) J&R Holding Ltd. (Bermuda) -Director (representative)</p>	Richard H. P. Chang	<p>J&R Industrial Inc.-Director (representative) ASE Network Inc.-Director (representative) ASE Material Inc.-Director ASE (Chung Li) Inc.-Chairman ASE (Shanghai) Ltd.-Chairman & Director (representative) Universal Access Technology Inc.-Chairman & Director (representative) ASE Technology Inc.- President ASE Test, Inc.-Director (representative) Universal Scientific Industrial Co., Ltd. Chairman & Director (representative) RTH Co.-Director (representative) USI (Shenzhen)-Director (representative) USI (Shanghai)-Director (representative) HR Silvine Electronics Inc. (Hong Kong)-Director ASE Marketing Services Ltd.-Director (representative) Omniquest Industrial Limited-Director (representative) ASE Test Ltd. (Singapore) -Chairman ASE (Korea) Ltd.-Director (representative) ASE Electronics (M) Sdn, Bhd-Director (representative) ASE Holding Ltd. (Bermuda) -Director (representative) J&R Holding Ltd. (Bermuda) -Director (representative)</p>
Chin Ko-Chien	<p>ASE Material Inc.,-Chairman & Director (representative) ASE Test, Inc.-Director (representative) ASE (Chung Li) Inc.-Director (representative) ASE Test Ltd (Singapore)-Director</p>		<p>ASE Material Inc.-Director (representative) ASE (Chung Li) Inc.-Director (representative) ASE Test, Inc.-Director (representative) ASE Test Ltd (Singapore) – Director ASE Test Holdings Ltd. -Director (representative) ASE (Korea) Ltd – Director (representative) ASE Electronics (M) SDN BHD – Director (representative) ISE Labs, Inc – Director (representative)</p>
David Pan	<p>ASE Material Inc.-Director (representative) ASE (Chung Li) Inc.-Director (representative) ASE Test, Inc.-Director (representative) ASE Test Ltd (Singapore) – Director ASE Test Holdings Ltd. -Director (representative) ASE (Korea) Ltd – Director (representative) ASE Electronics (M) SDN BHD – Director (representative) ISE Labs, Inc – Director (representative)</p>	Feng Mei-Jean	<p>J&R Industrial Inc.- Supervisor ASE Material Inc.-Supervisor (representative) ASE (Chung Li) Inc.-Supervisor Hung Ching Investment Inc.-Supervisor Hung Ching Guang Co.-Supervisor Hung Ching Management Consultant-Director ASE Electronics (M) Sdn, Bhd-Director (representative)</p>
Joseph Tung	<p>J&R Industrial Inc.-Director (representative) ASE (Chung Li) Inc.-Director (representative) ASE Test, Inc.-Supervisor (representative) ASE Network Inc.-Director (representative) ASE Technology Inc.-Director (representative) Universal Scientific Industrial Co., Ltd.-Supervisor (representative) Universal Access Technology Inc.-Supervisor (representative) HR Silvine Electronics Inc. (Hong Kong)-Director Integrated Programmable Communications Inc.-Director (representative) ASE Marketing Services Ltd.-Director (representative) J&R Holding Ltd. (Bermuda) -Director (representative) ASE Investment (Labuan) Ltd.- Director (representative) ASE Holding Ltd. (Bermuda) -Director (representative) Omniquest Industrial Limited-Director (representative) ASE Test Ltd. (Singapore) -Director (representative) ASE Test Holding, Ltd.-Director (representative) ASE Test Finance, Ltd.-Director (representative) ASE (Korea) Ltd.-Director (representative) ASE Electronics(Malaysia)Sdn, Bhd-Director (representative) ISE Labs, Inc.-Director (representative) Grand Innovation Co., Ltd-Director (representative) Inprocomm Inc.-Director (representative)</p>	John Ho	<p>ASE Network Inc.-Supervisor (representative) ASE (Shanghai) Ltd.-Director (representative) Integrated Programmable Communications Inc.- Director (representative) Universal Access Technology Inc.-Chairman Universal Scientific Industrial Co., Ltd.-Director (representative) Zhan Yi Co.-Director (representative) Da Ji Co.-Director (representative) Universal Scientific Industrial (UK)-Director (representative) Universal Scientific Industrial (Japan)-Director (representative) USI (Shenzhen)-Director (representative) HHI Co.-Director (representative) RTH Co.-Director (representative) UI Co.-Director (representative) UHI Co.-Director (representative) Inprocomm Inc.-Director (representative)</p>
		Raymond Lo	<p>ASE Test Ltd (Singapore)-Director ASE Test, Inc.-Director (representative) and President</p>

Jeffrey Chen	ASE Test, Inc.- Director (representative) ASE (Shanghai) Ltd - Director (representative) ASE Material Inc.- Supervisor (representative) ASE Test Ltd. (Singapore) -Director (representative) Universal Scientific Industrial Co., Ltd.- Director (representative) SCI Pharmtech, Inc., independent supervisor United Investments Company- Director ASE Test Holdings Ltd. -Director (representative) Omniquest Industrial Limited - Director (representative) ISE Labs, Inc. - Director (representative) ASE Investment (Labuan) Ltd.- Director (representative)	Alan Cheng	ASE Test, Inc.-Director (representative) Hung Ching Development & Construction Co. Ltd. - Director Hung Ching Investment Inc.-Director (representative) Howard Engineering Co.-Director (representative) Hung Ching Guang Co.-Director (representative) ASE Business Hotel Co.-Director (representative) ASE Development & Recreation Co.-Director (representative) HR Silvine Electronics Inc. (Hong Kong)-Director HR SILVINE-CMC Co.-Director ASE Test Ltd. (Singapore) -Director ASE (Korea) Ltd.-Director (representative)
Tien Wu	ISE Labs, Inc. -President ASE Japan Co., Ltd. Director (representative)	Tseng Yuan-Yi	Hung Ching Development & Construction Co. Ltd. - Chairman Howard Engineering Co.-Chairman ASE Business Hotel Co.- Chairman(representative) Hung Ching Guang Co.-Chairman Hung Ching Investment Inc.-Chairman

b. Major Corporate Shareholders

12/31/03

Name	Major shareholder of corporate shareholder
A.S.E. Enterprises Limited	Aintree Limited

c. Information on Directors and Supervisors

Title and Name	Condition	Having at least 5 years of work experience in commerce, law, finance or corporate business	Compliance with independence requirements						
			1. Not an employee of the company or a director, supervisor or employee of the affiliated business	2. Not an individual shareholder holding directly or indirectly more than 1% of the outstanding shares of the company or an individual shareholder who is among the top ten shareholders	3. Not the spouse or a relative of direct lineage within second rank of a person described in the preceding two items	4. Not a director, supervisor, or employee of a corporate shareholder holding directly or indirectly more than 5% of the outstanding shares of the company or a director, supervisor or employee of the top five corporate shareholders	5. Not a director, supervisor, manager or shareholder with more than 5% share of a specific company or organization that has financial or business dealing with the company	6. Not a professional, sole proprietor, partner, or business owner, partner, director, supervisor, manager or his/her spouse of a corporation or institutional organization that has provided the company or affiliated business financial, business or legal services in the last year	7. Not a corporation or corporate representative specified in Article 27 of the Company Law
Chairman	Jason C. S. Chang	V						V	V
Vice Chairman	Richard H. P. Chang	V						V	V
Director (corporate representative)	Chin Ko-Chien	V		V	V	V		V	
	David Pan	V		V	V	V		V	
	Joseph Tung	V		V	V	V		V	
	Jeffrey Chen	V		V	V	V		V	
	Tien Wu	V		V	V	V	V	V	
Supervisor	Feng Mei-Jean	V				V		V	V
Supervisor (corporate representative)	John Ho	V		V	V	V		V	
	Raymond Lo	V		V	V	V	V	V	
	Alan Cheng	V		V	V	V		V	
	Tseng Yuan-Yi	V		V	V	V		V	

d. Information on Executive Officers

Unit: shares;NT\$1000.

Title	Name	Date appointed	Holding (Note 1)		Holding of spouse and minor children (Note 1)		Holding in other people's name (Note 1)		Education and experience	Other positions	Other manager with spousal or familial relation			Total wages, bonus, special allowance and dividend received in the most recent year	Status of employee stock option managers acquired
			Shares	%	Shares	%	Shares	Shares			Title	Name	Relation		
Chief Executive Officer	Jason C. S. Chang	05/03	22,280,327	0.62%	-	-	-	-	BS, Department of Electrical Engineering, National Taiwan University MS., Illinois Institute of Technology, USA	Please refer to P. 11	President	Richard H. P. Chang	Brother	7,324	4,800,000
President	Richard H. P. Chang	02/03	40,899,973	1.14%	63,383,829	1.77%	-	-	BS, Department of Engineering, Chung Yuan Christian University Chairman, Universal Scientific Industrial Co., Ltd.	Please refer to P. 11	Chief Executive Officer	Jason C. S. Chang	Brother	4,719	3,200,000
President, Taiwan Region	Chin Ko-Chien	11/94	587,983	0.02%					BS, Department of Marine Engineering, National Taiwan Ocean University Material Department Manager of Fu Hua Engineering Co. Manager of Delivery Center, Tait Marketing & Distribution	Please refer to P. 11				Note 2	Note 2
VP, Finance	Joseph Tung	12/94	858,433	0.02%	143,185	-	-	-	MBA, University of Southern California VP, corporate financing, Citibank, Taipei	Please refer to P. 11				Note 2	Note 2
Vice President	Yu Shu-Jun	08/99	139,301						Department of Broadcasting and Television, National College of Arts Vice President, ET Broadcasting Co. President of Xin Kai Broadcasting Co.	Digital Vision Co.- Chairman & Director (representative) Hung Ching Development & Construction Co. Ltd. - Director (representative)				Note 2	Note 2
Vice President	Jeffrey Chen	05/02	526						MBA, University of British Columbia VP, Bankers Trusts Company CFO, ASE Test Limited	Please refer to P. 12				Note 2	Note 2
Vice President	Wei Tuan-Hang	01/96	491,452	0.01%					BS, Department of Industrial Management, Chung Yuan Christian University	-				Note 2	Note 2
Vice	Hsu	07/97							BS, Department of Business	ASE Test, Inc.-Director				Note 2	Note 2

Title	Name	Date appointed	Holding (Note 1)		Holding of spouse and minor children (Note 1)		Holding in other people's name (Note 1)		Education and experience	Other positions	Other manager with spousal or familial relation			Total wages, bonus, special allowance and dividend received in the most recent year	Status of employee stock option managers acquired
			Shares	%	Shares	%	Shares	Shares			Title	Name	Relation		
President	Ching-Ju								Management, Feng Chia University Procurement Department, Philips Electronic Building Elements Materials Manager, Global Electronics	(representative) Universal Scientific Industrial Co., Ltd.- Supervisor (representative)					
Vice President	Tang Kuo-An	02/98	62,718					-	BS, Department of Mechanical Engineering, Feng Chia University VP/Quality Control, Siliconware Precision Industry Co., Ltd.	-				Note 2	Note 2
Vice President	Li Chun-Che	01/01	893,031	0.02%				-	BS, Department of Aviation, Tamkang University	-				Note 3	Note 3
Vice President	Lee Chih-chiang	07/03	275,385					-	BS (IM), National Ching Hua University VP, ASTSF	-				Note 2	Note 2
Vice President	Chu Cheng-ping	07/03	4,026					-	EMBA, National Cheng-chi University MS, Institute of Psychology, Drake University VP, Arima Group President, China Data Processing Center VP, China Airlines	-				Note 2	Note 2
Vice President	Cheng Tao-yu	01/04	76,661						BS (Mechanic Engineering), National Cheng Kung University	-				Note 2	Note 2
Vice President	Lee Shih-wen	01/04	183,197						BS (Physics), National Cheng Kung University	-				Note 2	Note 2
Vice President	Lin Hsien-tang	01/04	30,046						EMBA, Sun Yat-sen University	-				Note 2	Note 2

Note 1: Actual shareholding as of the date of this report

Note 2: Total remuneration for president and VPs of Taiwan area totaled NT\$31,885,000, acquiring in total 7,060,000 units of employee stock option.

3. Changes of Shareholdings of Directors, Supervisors, Executive Officers and Major Shareholders

a. Change of shareholdings and shares on lien

Title	Name	2003		2/29/04	
		Increase (decrease) of shares held	Increase (decrease) of shares on lien	Increase (decrease) of shares held	Increase (decrease) of shares on lien
Director and Supervisor	A.S.E. Enterprises Limited	62,839,583			
Chairman	Jason C. S. Chang	2,025,484			
President	Richard H. P. Chang	3,718,179			
Supervisor	Feng Mei- Jean	5,762,166			
President, Taiwan Region	Chin Ko- Chien	53,453			
Vice President	Joseph Tung	78,039			
Vice President	Yu Shu-Jun	(15,973)		(5,000)	
Vice President	Lee Chih- Chiang	25,035			
Vice President	Chu Cheng- Ping	366			
Vice President	Tang Kuo-An	5,701			
Vice President	Wei Tuan- Hang	(120,323)			
Vice President	Li Chun-Che	81,184			
Vice President	Jeffrey Chen	47			
Vice President	Lin Hsien- Tang	Note	Note	(20,000)	

Note: Assumed the post in January 2004.。

1. Information on transfer of equity where the counter party is a related party: None.
2. Information on hypothecation of equity where the counter party is a related party: None.

4. Combined investment holding

12/31/03 Unit: shares; %

Investment (Note)	Company investment		Investment of director, supervisor, manager and directly or indirectly controlled business		Combined investment	
	Shares	Holdings as a percentage (%)	Shares	Holdings as a percentage (%)	Shares	Holdings as a percentage (%)
ASE Marketing Services Ltd.	499,999	100.00%	1		500,000	100.00%
J&R Holding Ltd.(Bermuda)	12	100.00%			12	100.00%
ASE Network Inc.	134,999,995	90.00%	5		135,000,000	90.00%
ASE Holding Ltd. (Bermuda)	184,290	100.00%			184,290	100.00%
ASE Material Inc.	143,547,583	57.42%	52,203,050	20.88%	195,750,633	78.30%
ASE (Chung Li) Inc.	365,483,259	57.56%	269,516,741	42.44%	635,000,000	100.00%
Universal Access Technology Inc.	3,750,000	25.00%	1,045,000	6.97%	4,795,000	31.97%
ASE Technology Inc.	19,753,830	98.77%	100,904	0.50%	19,854,734	99.27%
Integrated Programmable Communications Inc.	4,000,000	23.05%	1,500,000	8.65%	5,500,000	31.70%
Inprocomm Inc.	5,200,000	32.10%	250,000	1.54%	5,450,000	33.64%
Universal Scientific Industrial Co., Ltd.	144,936,050	21.56%	13,306,305	1.98%	158,242,355	23.54%
ASE Japan Co., Ltd.	1,200	100.00%			1,200	100.00%
Hung Ching Development & Construction Co. Ltd.	119,408,060	26.43%	119,321,201	26.41%	238,729,261	52.84%
Hung Ching Guang Co.	39,047,000	27.31%	13,209,000	9.24%	52,256,000	36.55%

Note: Long-term equity investment.

C. Capital and Shareholding

a. Type of stock

Stock type	Authorized capital					Shares for conversion of convertible bonds	Reserve for exercise of stock options
	Issued shares			Non-issued shares	Total		
	Listed	Unlisted	Total				
Common stock	3,580,280,000 shares	0 shares	3,580,280,000 shares	1,569,720,000 shares	5,150,000,000 shares	450,000,000 shares	300,000,000 shares

b. Source of capital stock

Unit: Shares/NT\$

Mo/yr	Issue price	Par value per share	Authorized capital		Paid-in capital		Remark		
			Shares	Amount	Shares	Amount	Source	Non-cash prescription	Approval date and document No.
03/84		10	17,200,000	172,000,000	10,000,000	100,000,000	Establishment (cash)	None	March 23, 1984 Jing-Jia-Chu (73) She-Zi-414
05/84		10	20,000,000	200,000,000	20,000,000	200,000,000	Cash offering 100,000,000	None	May 29, 1984 Jing-Jia-Chu (73) Zi-Zi-4585
06/84		10	23,520,000	235,200,000	23,520,000	235,200,000	Cash offering 35,200,000	technical shares 35,200,000	July 17, 1984 Jing-Jia-Chu (73) Shang-Zi-6266
08/84		10	33,121,625	331,216,250	33,121,625	331,216,250	Cash offering 96,016,250	None	April 2, 1986 Jing-Jia-Chu (75) Zi-Zi-2926
11/87		10	39,495,000	394,950,000	39,495,000	394,950,000	Capitalization of earnings 63,733,750	None	November 25, 1987 Jing-Jia-Chu (76) Zi-Zi-11447
06/88		10	50,000,000	500,000,000	50,000,000	500,000,000	Capitalization of earnings 105,050,000	None	June 9, 1988 Jing-Jia-Chu (77) Zi-Zi-11447
12/89		10	62,000,000	620,000,000	62,000,000	620,000,000	Capitalization of earnings 120,000,000	None	December 24, 1989 Jing-Jia-Chu (78) Zi-Zi-3328
11/90		10	75,024,000	750,240,000	75,024,000	750,240,000	Capitalization of earnings and employee bonus 117,840,000 Capitalization of capital surplus 12,400,000	None	November 28, 1990 Jing-Jia-Chu (79) Zi-Zi-4696
08/91		10	125,000,000	1,250,000,000	105,607,373	1,056,073,730	Capitalization of earnings and employee bonus 80,761,730 Capitalization of capital surplus	None	April 29, 1991 Jing-Jia-Chu (80) Zi-Zi-003001

Mo/yr	Issue price	Par value per share	Authorized capital		Paid-in capital		Remark		
			Shares	Amount	Shares	Amount	Source	Non-cash prescription	Approval date and document No.
							225,072,000		
12/91	38	10	125,000,000	1,250,000,000	125,000,000	1,250,000,000	Cash offering 193,926,270	None	December 23, 1991 Jing-Jia-Chu (80)Zi-Zi-010557
05/92		10	150,600,000	1,506,000,000	150,600,000	1,506,000,000	Capitalization of earnings and employee bonus 68,500,000 Capitalization of capital surplus 187,500,000	None	May 25, 1992 Jing-Jia-Chu (81)Zi-Zi-004304
05/93		10	165,660,000	1,656,600,000	165,660,000	1,656,600,000	Capitalization of capital surplus 150,600,000	None	June 4, 1993 Jing-Jia-Chu (82)Zi-Zi-004229
03/94		10	260,000,000	2,600,000,000	233,824,000	2,338,240,000	Capitalization of earnings and employee bonus 491,131,000 Capitalization of capital surplus 190,509,000	None	March 25, 1994 Jing-Jia-Chu (83)Zi-Zi-002514
01/95	60	10	260,000,000	2,600,000,000	260,000,000	2,600,000,000	Cash offering 261,760,000	None	September 24, 1994 Jing-Jia-Chu (83)Zi-Zi-008500
05/95		10	500,000,000	5,000,000,000	356,800,000	3,568,000,000	Capitalization of earnings and employee bonus 760,000,000 Capitalization of capital surplus 208,000,000	None	March 27, 1995 Jing-Jia-Chu (84)Zi-Zi-002471
07/95	79.7	10	500,000,000	5,000,000,000	399,800,000	3,998,000,000	Cash offering 430,000,000	None	July 29, 1995 Jing-Jia-Chu (84)Shang-Zi-00671
05/96		10	1,000,000,000	10,000,000,000	729,000,000	7,290,000,000	Capitalization of earnings and employee bonus 2,092,600,000 Capitalization of capital surplus 1,199,400,000	None	April 17, 1996 Jing-Jia-Chu (85)Zi-Zi-03679
05/97		10	1,400,000,000	14,000,000,000	1,017,000,000	10,170,000,000	Capitalization of earnings and employee bonus 1,640,700,000 Capitalization of capital surplus 1,239,300,000	None	May 1, 1997 Jing-Jia-Chu (86)Zi-Zi-004063
04/98		10	2,200,000,000	22,000,000,000	1,780,000,000	17,800,000,000	Capitalization of earnings and employee bonus 6,409,600,000 Capitalization of capital surplus 1,220,400,000	None	April 4, 1998 Jing-Jia-Chu (87)Zi-Zi-003051
07/99		10	2,400,000,000	24,000,000,000	1,980,000,000	19,800,000,000	Capitalization of earnings and employee bonus 2,000,000,000	None	October 29, 1999 Jing-Jia-Chu (88)San-Zi-Zi-011765
06/00		10	2,400,000,000	24,000,000,000	1,980,355,086	19,803,550,860	Conversion of corporate bonds into	None	June 5, 2000

Mo/yr	Issue price	Par value per share	Authorized capital		Paid-in capital		Remark		
			Shares	Amount	Shares	Amount	Source	Non-cash prescription	Approval date and document No.
							common stock 3,550,860		Jing-Jia-Chu (89)San-Shang-Zi-005552
09/00		10	3,200,000,000	32,000,000,000	2,652,000,000	26,520,000,000	Capitalization of earnings and employee bonus 6,716,449,140	None	September 5, 2000 Jing-Jia-Chu (89)San-Zi-Zi-009686
10/00	43.81	10	3,200,000,000	32,000,000,000	2,752,000,000	27,520,000,000	Issue of GDR 1,000,000,000	None	October 23, 2000 Jing-Jia-Chu (89)San-Shang-Zi-011577
08/01		10	4,150,000,000	41,500,000,000	3,254,800,000	32,548,000,000	Capitalization of earnings and employee bonus 5,028,000,000	None	June 26, 2001 Jing-Jia-Chu (90)San-Zi-Zi-0900005692
09/03		10	5,150,000,000	51,500,000,000	3,580,280,000	35,802,800,000	Capitalization of earnings 97,644,000 Capitalization of capital surplus 3,157,156,000	None	September 18, 2003 Jing-Jia-Chu (92)San-Shang-Zi-09200088290

c. Shareholder structure

Dec. 31, 2003

Shareholder Quantity	Government agency	Financial institution	Other juristic person	Individual	Foreign institution and individual	Total
Number	1	1	309	220,806	386	221,503
Shares held	3,055	168,073	429,958,970	1,277,869,642	1,872,280,260	3,580,280,000
Holdings as a percentage (%)	0.000	0.005	12.009	35.692	52.294	100.000

d. Distribution of equity

Par value/share: \$10; Dec. 31, 2003

Shares held	No. of shareholder	Total shares held	Shareholding (%)
1 ~ 999	69,848	26,432,333	0.738
1,000 ~ 5,000	99,680	228,118,453	6.372
5,001 ~ 10,000	27,489	186,390,395	5.206
10,001 ~ 15,000	10,243	121,307,954	3.388
15,001 ~ 20,000	4,526	78,088,523	2.181
20,001 ~ 30,000	4,059	97,118,176	2.713
30,001 ~ 40,000	1,970	67,767,281	1.893
40,001 ~ 50,000	855	37,939,010	1.060
50,001 ~ 100,000	1,657	110,543,307	3.088
100,001 ~ 200,000	586	79,564,269	2.222
200,001 ~ 400,000	253	71,042,131	1.984
400,001 ~ 600,000	80	38,875,666	1.086
600,001 ~ 800,000	46	31,901,955	0.891
800,001 ~ 1,000,000	32	28,873,986	0.806
>1,000,001	179	2,376,316,561	66.372
Total	221,503	3,580,280,000	100.000

e. Major shareholders

Dec. 31, 2003

Name of shareholder	Shareholding	Total shares held	Shareholdings as a percentage (%)
A.S.E. Enterprises Limited		691,235,417	19.307
Trust of J.P. Morgan Chase (Growth Fund in Newly Emerging Market)		227,658,191	6.359
Trust of HSBC (Pacific First)		137,749,533	3.847
ASE GDR		122,037,863	3.409
Trust of HSBC (Goldman Sacks)		98,720,600	2.757
Chunghwa Post Co., Ltd.		72,311,415	2.020
Feng Mei-Jean		63,383,829	1.770
Public Servant Pension Fund		61,154,659	1.708
Trust of J.P. Morgan Chase (US Capital International in Newly Emerging Market)		54,637,458	1.526
Bureau of Labor Insurance		44,563,162	1.245

f. Market price, net value, earnings and dividends per share

(In NT\$)

Item		Year			
		2003	2002	1Q2004	
Market price per share	High	36.40	38.50	39.80	
	Low	16.50	15.90	33.10	
	Average	24.25	25.38	36.96	
Net value per share	Before distribution	12.60	12.11	Note 2	
	After distribution	Note 1	12.11	Note 2	
Earnings per share	Weighted average shares		3,537,048,918 shares	3,399,745,800 shares	3,580,280,000 shares
	Earnings per share (diluted)	Before retroactive adjustment	0.78	0.04	Note 2
		After retroactive adjustment	0.78	0.04	Note 2
Dividends per share	Cash dividend		-	-	Note 2
	Free stock dividends	Capitalization of earnings	Note 1	0.03	Note 2
		Capitalization of capital surplus	Note 1	0.97	Note 2
Return on investment	P/E ratio		30.84	608	Note 2
	P/D ratio		-	-	-
	Cash dividend yield		-	-	-

Note 1: To be decided in shareholders' meeting.

Note 2: Final estimate for surplus not completed.

Note 3: P/E ratio = Average closing price in the year in question/Earnings per share

g. Dividend policy and status of implementation

(1) Dividend policy

The company's dividend policy as resolved in the shareholders' meeting on July 11, 2000 is as follows:

In the light of the fact that the Company is in growth stage with considerable funding needs for current and future undertaking of business development and to meet the shareholders' demands for cash inflow, the Company's dividend policy gives priority consideration to the distribution of stock dividends and allows allocation of cash dividends, which however may not exceed 20% of the distributed dividends and may not less than \$0.1 per share if distributed. The Board of Directors may decide the most pertinent dividend policy in line with the percentage set forth for cash dividend above and decide the manner of distribution in consideration of the actual operating status and the budget planning for the following year, subject to the approval of the shareholders.

(2) Distribution of dividend proposed to the 2004 shareholders' meeting:

- (a) The Board of Directors proposed in its meeting on March 24, 2004 to distribute free stock dividends 62 shares for every 1,000 shares held through issuance of new shares. However, added by the combination of ASE (Chung Li) Inc. and ASE Material Inc. as resolved through the board meeting, new shares to be issued on July 1, 2004 shall be 282,315,437 shares, meaning the

free stock dividend shall be adjusted downward from 62 shares to 57.4 shares for every 1,000 shares. In addition, it must be noted that since the Company has issued European convertible bond and if bondholders exercise the conversion right prior to the base day, or new stockholders through capital increase in cash or GDR holders, which will as a whole cause increase of circulating shares on the base day for stock distribution. Such being the case, the Board is authorized to adjust the rate of free stock dividend on the basis of the number of shares circulating on the date when stock dividend is distributed by the capital increase from bonus of NT\$2,219,773,600.

- (b) After this proposition is passed by the general shareholders' meeting and approved by the competent authority, the Board of Directors will set the base date for ex-right. The new shares will carry the same rights and obligations as previous issues.

h. Effect of the free stock dividends on company performance and earning per share:

Not applicable. (The company is not required to reveal its 2004 financial forecast information as specified under the Guidelines Governing Handling of Financial Forecast Information by Listed Companies)

i. Employee bonus and compensation to directors and supervisors

- (1) According to the Articles of Incorporation, employee bonus and compensation to directors and supervisors are allocated as follows:

The Company's earnings each year, if any, shall be distributed in the following order:

- (a) Making up of losses.
- (b) Setting aside a legal reserve of 10%.
- (c) Allocation to special reserve in accordance with the requirements of the law or the regulations set forth by the regulatory authorities.
- (d) With respect to long-term investments carried on equity basis, the non-realized portion (excluding cash dividends) of the investment gain may be transferred to the special reserve, and then distributed after being realized.

The balance of the earnings, if any, shall be distributed as follows:

- (e) 2% or less of the amount remaining after deduction of items (a) to (d) above shall be allocated as remuneration of directors and supervisors.
- (f) At least 5% and no more than 7% of the amount remaining after deduction of items (1) to (5) above shall be allocated for bonuses to employees. Of this, 5% of the balance of earnings shall be distributed among all of the company's employees in accordance with the Regulations Governing Conversion of Employee Bonuses to Capital Increment Share Allocation; the board of directors shall be authorized to formulate a method for distributing any portion in excess of 5% to particular employees in accordance with the contribution they have made to the Company.
- (g) With respect to the balance of earnings, the board of directors shall draw up a plan for distributing the balance of earnings according to the percentage of stock held by each shareholder.

Employees mentioned in Item (f) above include all employees who meet a certain pre-set conditions and the conditions shall be set by the Board of Director.

- (2) Employees bonus for 2003 as proposed by the Board of Directors in its meeting held on March 24, 2004:
- (a) Employee cash bonus NT\$18,427,97, and compensation to directors and supervisors NT\$49,320,000.
 - (b) Employee stock bonus 15,427,203 shares, accounting for 6.50% of new shares issued through capitalization of earnings.
 - (3) After the proposed allocation of employee bonus and compensation to directors and supervisors, projected earnings per share is \$0.71.
- (3) Earnings in 2003 applied to employee bonus and compensation to directors and supervisors are as follows:
- Distribution of surplus and actual distribution of 2002 as passed by the standing shareholders' meeting on June 19, 2003 are as follows:
- (a) Actual employee cash bonus totalled NT\$8,000,000, and compensation to directors and supervisors stood at NT\$2,280,000.
 - (b) Actual employee stock bonus: 0 shares, accounting for 0% of new shares issued through capitalization of earnings.
 - (c) After the proposed allocation of employee bonus and compensation to directors and supervisors, projected earnings per share is \$0.038.
 - (d) Actual distributed amount as mentioned above corresponds to the distribution requirement as passed by the Board of Directors.
- j. Company stock buy-back: None.

D. Issuance of Corporate Bonds:

1. Issuance of corporate bonds

Corporate bond	2 nd Issue of Unsecured ECB	1 st Issue of Secured Common Corporate Bond in 2003
Date of issue	September 25, 2003	January 9, 2004
Coupon value	US\$1,000	NT\$10,000,000
Exchange	Luxembourg Stock Exchange	Gretai Securities Market
Issue price	At par	At par
Total amount	US\$200,000,000	NT\$2,750,000,000
Interest rate	0%	Note 1
Term	Five years; mature on September 25, 2008	Five years; mature on January 9, 2009
Guarantor	None	9-bank consortium led by Chinatrust Commercial Bank
Trustee	None	The International Commercial Bank Of China
Underwriters	BARITS & ABN Rothschild	None
Certifying attorney	Lee & Li Attorneys-at-law	Hsien-dai Law Firm
Certifying accountants	Deloitte & Touche	Deloitte & Touche

Corporate bond	2 nd Issue of Unsecured ECB	1 st Issue of Secured Common Corporate Bond in 2003
Repayment	Apart from pre-mature redemption and buyback for cancellation or conversion by bondholders, the company shall redeem the bond at par upon maturity.	Repayment for the principal in two terms, one-half respectively upon 4-year maturity and 5-year maturity after issuance of the company's corporate bond.
Unpaid principal	US\$200,000,000	NT\$2,750,000,000
Terms of redemption and sell-back	<p>A. Terms for sell-back by bondholders:</p> <ol style="list-style-type: none"> 1. Apart from pre-mature redemption and buyback for cancellation or conversion by bondholders, bondholders may, upon the 4th year maturity, demand the company to redeem part or whole of the corporate bond the holder has at 116.02% of the par value (the redemption yield rate is temporarily set at 3.75% per annum and computed on half-a-year basis) . 2. In case the right of control as defined by the contract for trust changes, bondholders may demand the company to redeem the bond in whole at par value plus the yield rate. 3. On the occasion when the common stock of the bond issuer is de-listed, bondholders may demand the company to redeem the bond in whole at par value. <p>B. Terms for redemption by the issuer:</p> <ol style="list-style-type: none"> 1. After a full four years following the issuance, should the closing price of the common stock of the issuer traded on the Taiwan Stock Exchange be for consecutive 20 days reaching over 130% of the exchange rate at US\$1=NT\$34.075, the issuer may have the right to redeem the bond, in part or in whole, at the premature price. 2. In the event that over 90% of the bond have been redeemed, bought back, or the conversion right exercised, the issuer may redeem the whole bond at the pre-mature price. 3. In case there is change in tax law of the Republic of China that makes the issuer to pay extra interest, the issuer may redeem the whole bond at the pre-mature price. 4. Pre-mature price means the par value plus the compensatory interest computed by the actual number of days. 	<p>“The Agreement for Joint Guarantee for Issuance of Corporate Bond” the company signed with the consortium prescribes that the consortium may prematurely satisfy the bondholders (or trustees) in case any breach of agreement is found to exist.</p>
Restrictions	The bond is not permitted to be sold or delivered in the territory of the Republic of China, including fund raising.	General provisions on restrictions.
Name of credit rating company, date of rating, and rating result	Not applicable	Not applicable

Corporate bond		2 nd Issue of Unsecured ECB	1 st Issue of Secured Common Corporate Bond in 2003
	Conversion into common stock, GDR or other securities as of the date of this report	None	None
Other rights	Issue and conversion (exchange or subscription) agreement	<p>Conversion agreement:</p> <ol style="list-style-type: none"> 1. With the exception of those already redeemed prematurely, bought back and cancelled, restricted by law or issuance agreement ineligible for conversion, bondholders may, 31 days after issuance or 10 days prior to maturity and in accordance with law, request the issuer to convert the bond into the issuer's newly issued common stock or, after approval by the competent authority, into the GDR issued by the issuer in lieu of repayment of principal in cash. 2. Unless otherwise stipulated in the issuance contract, the right of conversion mentioned above shall not exercised on the following occasions: <ol style="list-style-type: none"> (a) 60 days prior to shareholders' general meeting; (b) 30 days prior to provisional shareholders' meeting; (c) The ex-right day when transfer of stock ownership is stopped for the issuer has applied with Taiwan Stock Exchange for free stock distribution, the ex-dividend day with cash dividend distributed when transfer of stock ownership is stopped or, in the case when capital increase is made in cash that gives the original shareholders the right to subscribe to the new shares, 3 business days before the ex-right day when transfer of stock ownership is stopped until the date the right distribution base day; (d) All other period that the government of the Republic of China stipulates that no right of conversion can be exercised. 	None
	The effect of measures for issuance, conversion, exchange or stock prescription, and terms of issuance on possible dilution of equity and the interests of the existing shareholders	The ECB issued this time has all been converted into common stocks at the then conversion rate and the maximum possible dilution rate to original shareholders is 4.23%.	None
	Custodian for stock certificates	None	None

Note 1: Amount and interest rate for the 1st secured common corporate bond issued in 2003:

Type of Coupon and Amount Issued	Interest Rate at Issuance
Coupon A NT\$250 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon B NT\$300 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.001%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon C NT\$200 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.002%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon D NT\$300 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.003%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon E NT\$200 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.004%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon F NT\$300 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.005%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon G NT\$200 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.006%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon H NT\$300 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.007%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR(The lower limit for the par interest is 0).
Coupon I NT\$200 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.008%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon J NT\$300 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.009%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).
Coupon K NT\$200 million	If 6M LIBOR<0.95%, the par interest rate shall be 6M LIBOR+0.010%; If 0.95%≤6M LIBOR≤2.00%, the par interest rate shall be 3.60%; If 6M LIBOR>2.00%, the par interest rate shall be 4.00%-6M LIBOR (The lower limit for the par interest is 0).

Type of Coupon and Amount Issued	Interest Rate at Issuance
<p>The first interest-computing date for each coupon is two business days before it is issued while the interest-computing date for each term shall be from the date it is issued until two business days prior to the interest-computing base date in a full 6-month period by the re-adjusted 6M LIBOR and, as of the interest-computing base date, the interest is paid one time at simple rate. The par interest rate shall never be lower than 0%. (Business day refers to the banking business days in London; if it falls on a holiday, the business day before the holiday shall govern.)</p> <p>6M LIBOR: 6MLIBOR refers to 11:00 a.m. London time when the interest-computing date begins or the fixing rates shown on Page 3750 for USD 6-Month LIBOR on Moneyline Telerate of Hong Kong. If the above-mentioned fixed ratings cannot be obtained on the interest-computing date, the rate shall be determined by the interest-computing institution in good faith and by reasonable market rate. The interest-computing institution in this case shall be Chinatrust Commercial Bank.</p>	

Note 2: Issuance of the company's 3rd unsecured ECB has been approved by the Securities and Futures Commission per Tai-Tsai-Cheng-Yi-Tze-#0920156844 letter dated January 2, 2004. The upper limit for the issuance is US\$150,000,000, currently in the process.

2. Data on convertible bonds

(In NT\$)

Type of corporate bond		2 nd unsecured ECB	
Year		2003	1Q2004
Item			
Market price of convertible bond	High		
	Low		
	Average		
Conversion price		37.716	
Issue date and conversion price at the time of issue		Date of issue: September 25, 2003 conversion price at the time of issue: 37.716	
Manner of fulfilling conversion obligation		When bondholders exercise the right of conversion, the issuer shall, in the following 5 business days after the request is made, deliver the new shares through the book account transfer of Taiwan Securities Central Depository Co., Ltd. If the bondholder has not had a central depository account for conversion of overseas corporate bond, the issuer shall wait until the formalities are completed before making the book account transfer.	

3. Data on exchangeable bonds: None.

4. Summary filing of issuance of corporate bonds: None.

5. Data on corporate bonds with warrant: None.

E. Issuance of Preferred Stocks: None

F. Issuance of GDRs

3/26/04
(In US\$)

Item		Date of issue	
		September 2000	June 2003
Date of issue		September 2000	June 2003
Place of issue		NYSE	NYSE
Total amount issued		US\$140,000,000	US\$86,808,000
Unit price of issue		US\$ 7	US\$ 2.65
Total units issued		20,000,000 units, each unit representing 5 shares of the Company's common stock.	32,757,600 units, each unit representing 5 shares of the Company's common stock.
Source of the underlying		Common stocks issued following capital increase in cash	Holdings by stockholders of issuer's common stocks already issued.
Volume of the underlying		100,000,000 shares of common stock at par value of NT\$10 per share	163,788,000 shares of common stock at par value of NT\$10 per share
Rights and obligations of GDR holder		Same as the Company's common stock holders	
Trustee		None	None
Depository institution		Citibank	Citibank
Custodian institution		Citibank, Taipei Branch	Citibank, Taipei Branch
Balance of unredeemed units		Up to the print time of this report, remaining GDRs in circulation number 17,481,026 units, reflecting 87,405,158 shares of common stock.	
Method to allocate fees incurred during issue and existence		None	None
Important provisions for trust contract and custodian contract		None	None
Market price per unit	2003	High	5.51
		Low	2.45
		Average	3.50
	1Q2004	High	6.04
		Low	5.05
		Average	5.65

The issuer plans to raise some US\$46,350,000, using common stocks of no more than 45,000,000 shares and GDRs of no more than 9,000,000 units held by current stockholder A.S.E. enterprises Limited. The case has been approved by the Securities and Futures Commission (SFC) per letter reTai-Tsai-Cheng-Yi-Tze-#0920156843 dated December 31, 2003. In addition, the SFC further approved per letter reTai-Tsai-Cheng-Yi-Tze-#0920156842 dated January 6, 2004 the issuer's capital increase in cash to issue common stocks ranging from 240,000,000 to 300,000,000 shares and issuance of GDRs from 48,000,000 to 60,000,000 units or approximately US\$247,200,000 to US\$309,000,000. The two cases as mentioned above are being in the process.

G. Employee Stock Options

In order to recruit talented professionals and retain their service under our employment once they are hired, the issuer has sought the approval of competent regulatory authority to issue 160,000,000 units of first employee stock option warrant as an incentive to encourage employee loyalty. Each unit may subscribe to one common share and the subscription price is the closing price for the common stock on the day it is issued. The first employee stock option warrant was issued to employees respectively in December 2002 and August 2003.

1. Employee stock option plan

3/26/04

Type of stock option	The First Issue of Stock Option Warrant																	
	First Issue	Second Issue																
Date of approval by authority	8/28/02	8/28/02																
Date of issue	12/24/02	08/22/03																
Units issued	145,989,000 units	13,979,000 units																
Exercisable shares as a percentage of outstanding shares	4.07%	0.39%																
Grant period	The grant period of the stock options is ten years. The options may not be transferred, except to heirs. Unexercised options are deemed forfeited after the expiration of grant period and the optionees may not claim the right to buy shares.																	
Manner of settlement	The Company will issue new shares to settle the exercise of options granted.																	
Exercise period and ratio (%)	<p>Optionees may exercise their options by the following schedule and percentage starting a full two year after the grant of option:</p> <table border="1"> <thead> <tr> <th><u>During the Grant Period</u> <u>Exercisable</u></th> <th><u>Maximum</u> <u>Subscription Ratio</u></th> </tr> </thead> <tbody> <tr> <td>Full 2 year</td> <td>40%</td> </tr> <tr> <td>Full 2.5 year</td> <td>50%</td> </tr> <tr> <td>Full 3 year</td> <td>60%</td> </tr> <tr> <td>Full 3.5 year</td> <td>70%</td> </tr> <tr> <td>Full 4 year</td> <td>80%</td> </tr> <tr> <td>Full 4.5 year</td> <td>90%</td> </tr> <tr> <td>Full 5 year</td> <td>100%</td> </tr> </tbody> </table>		<u>During the Grant Period</u> <u>Exercisable</u>	<u>Maximum</u> <u>Subscription Ratio</u>	Full 2 year	40%	Full 2.5 year	50%	Full 3 year	60%	Full 3.5 year	70%	Full 4 year	80%	Full 4.5 year	90%	Full 5 year	100%
<u>During the Grant Period</u> <u>Exercisable</u>	<u>Maximum</u> <u>Subscription Ratio</u>																	
Full 2 year	40%																	
Full 2.5 year	50%																	
Full 3 year	60%																	
Full 3.5 year	70%																	
Full 4 year	80%																	
Full 4.5 year	90%																	
Full 5 year	100%																	
Number of options exercised	0																	
Value of options exercised	0																	
Number of options unexercised	So far 159,968,000 units of options have been issued and none are exercised.																	
Exercise price for unexercised options	NT\$18.9	NT\$24.6																
Shares underlying the unexercised options as a percentage of outstanding shares (%)	4.07%	0.39%																
Effect on stockholders' equity	The stock options issued may be exercised in three years starting full two years after issue and will dilute the equity of the existing shareholders gradually. But the dilution effect is limited.																	

2. Top ten recipients of stock options with exercisable amount reaching NT\$30 million

March 26, 2004

Title	Name	Options acquired	Underlying shares as a percentage of outstanding shares (%)	Exercised				Unexercised			
				Number of options exercised	Exercise price of exercised options	Value of options exercised	Shares underlying the exercised options as a percentage of outstanding shares	Number of options exercised	Exercise price of exercised options (In NT\$)	Value of options exercised (NT\$1,000)	Shares underlying the exercised options as a percentage of outstanding shares
CEO	Jason C. S. Chang	4,800,000	0.13				-	4,800,000	18.9	90,720	0.13
President	Richard H. P. Chang	3,200,000	0.09					3,200,000	18.9	60,480	0.09

H. Issuance of New Shares for Merger or Acquisition:

1. New shares issued in the last fiscal year and up to the date of this report for merger or acquisition: None.

In a move to save operating cost and develop management efficiency, the company acquired and merged on July 17, 2002 through resolution by the Board ASE investment Inc. and ASE Capital Inc., two subsidiaries that the company had 100% holdings in both. The said case involves no stock exchange ratio and thus there were no new shares issued. July 1, 2003 was the base date for completion of the said case, which has been approved by the Ministry of Economic Affairs per letter Jing-Jia-San-Shang-Zi-#09201027160 dated August 18, 2003.

2. Issue of new shares as approved by the Board of Directors in the last fiscal year and up to the date of this report for merger or assignment.

a. Status of implementation:

To integrate internal resources within the Group, the Board of Directors passed the resolution on October 28, 2003 to combine subsidiaries ASE (Chung Li) Inc. and ASE Material Inc. By the stock exchange ratio, each share of ASE (Chung Li) Inc. exchanges 0.85 shares of ASE Inc. and each share of ASE Material Inc. 0.5 shares of ASE Inc. The company estimates to issue 282,315,437 new shares to facilitate this combination, which accounts for 7.89% of actual paid-in capital prior to the combination. The Boards of the two subsidiaries approved the combination through a provisional shareholders' meeting held on November 13, 2003. The base date for the combination is set for July 1, 2004, now in progress.

b. Effect upon shareholders' equity:

ASE (Chung Li) Inc. and ASE Material Inc. are our spin-off that ASE Inc. holds 57.56% and 57.42% respectively. The decision was based on integration of overall internal Group resources and expansion of operating scale and production lines and enhancement of manpower and resources of all parties once the combination is completed. The move helps reduce operating cost and access to capital, thereby strengthening our overall competitiveness. Therefore the effect upon shareholders' equity is positive.

c. Basic data of merged or acquired companies:

(In NT\$)		
Name of Company	ASE (Chung Li) Inc.	ASE Material Inc.
Address	550 Chung-hua Rd., Sec. 1, Chung-li City, Taoyuan County	73, Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung City
Person-in-Charge	Richard H.P. Chang	Chin Ko-chien
Paid-in capital	6,350,000,000	2,500,000,000
Major lines of business	Semiconductor packaging and testing	Manufacture, reprocessing and buying and selling of materials for semiconductor
Major products	BGA.QFP.SOIC.PDIP.QFN.PLCC.IMAGE SENSOR.SMT, etc. IC test	Matrix & high pin count Lead Frame PBGA/CSBGA/TFBGA/LFBGA Substrate build-up Flip Chip Substrate

Name of Company	ASE (Chung Li) Inc.	ASE Material Inc.	
2003 Financial Informati	Assets	13,466,123,000	9,303,051,000
	Liabilities	4,609,487,000	7,455,288,000
	Total Shareholder s' Equity	8,856,636,000	1,847,763,000
	Revenues	6,018,146,000	5,225,066,000
	Gross Profit	899,445,000	470,290,000
	Operating Income	217,025,000	102,942,000
	Net Income	182,837,000	168,337,000
	EPS	0.288	0.673

III. Operation Overview

A. Business

1. Scope of business

Manufacture, assembly, re-processing, testing and sales of all types of integrated circuit.

a. Major line of business: Core competitive competence of the company relies on advanced technology and manufacturing process, providing advanced packaging service to semiconductor manufacturers the world over.

b. Major lines of business and weight:

In NT\$1,000

Major Products	2003	
	Revenues	Weight
BGA	18,915,212	60%
LQFP	4,867,861	15%
EQFP	4,020,133	13%
Others	3,684,585	12%
Total	31,487,791	100%

2. Industry overview

a. Current status and future development of the industry:

The end of the American-Iraq war in 2003 and the economic recovery in the US gradually revived the worldwide economy as a whole. As a result, businesses began to increase spending on equipment outlays and consumers regained confidence in spending. That benefited the electronic industry, especially the semiconductor sector. According to statistics released by the SIA of the US, worldwide production value of semiconductor in 2003 saw an 18.4% growth compared to same period a year before. It is estimated that the growth trend remains high and in 2004, the growth ratio could reach well over 19%.

At the same time, the ITIS report prepared by MOEA's Department of Industrial Technology indicated that under the driving force of foundry 2003 had saw remarkably high growth in IC design industry, IC manufacturing industry, IC packaging industry and IC testing industry, netting respectively 27.0%, 26.8%, 21.9% and 28.6%. As a result, the overall production value for Taiwan's IC industry in 2003 stood at NT\$824.3 billion, or a 26.3% growth compared to 2002 while the production value for IC product was NT\$356.5 billion, a 27.5% increase over 2002.

Taiwan's IC industry has the world second largest IC design industry and the world largest foundry industry. Together they helped the IC industry materialize a 31% increase in the overall production for 2004 with a production value reaching NT\$1,079.7 billion while the production value of the product stood at NT\$486.5 billion, or a growth of 36.5%. In the secondary industry, the production value of IC design industry was NT\$256.5 billion, a 36.7% growth; NT\$630.3 for IC manufacturing industry, a 31.3% growth; NT\$141.9 billion for IC packaging industry, a 22.8% growth; and NT\$51 billion for IC testing industry, a 24.7% increase.

In NT\$100 million

	2002	2003	2003/2002 Growth Rate	2004	2004/2003 Growth Rate
Total Production Value for IC Industry	6,529	8,243	26.30%	10,797	31.00%
IC Design Industry	1,478	1,877	27.00%	2,565	36.70%
IC Manufacturing Industry	3,785	4,801	26.80%	6,303	31.30%
IC Packaging Industry	948	1,156	21.90%	1,419	22.80%
IC Testing Industry	318	409	28.60%	510	24.70%

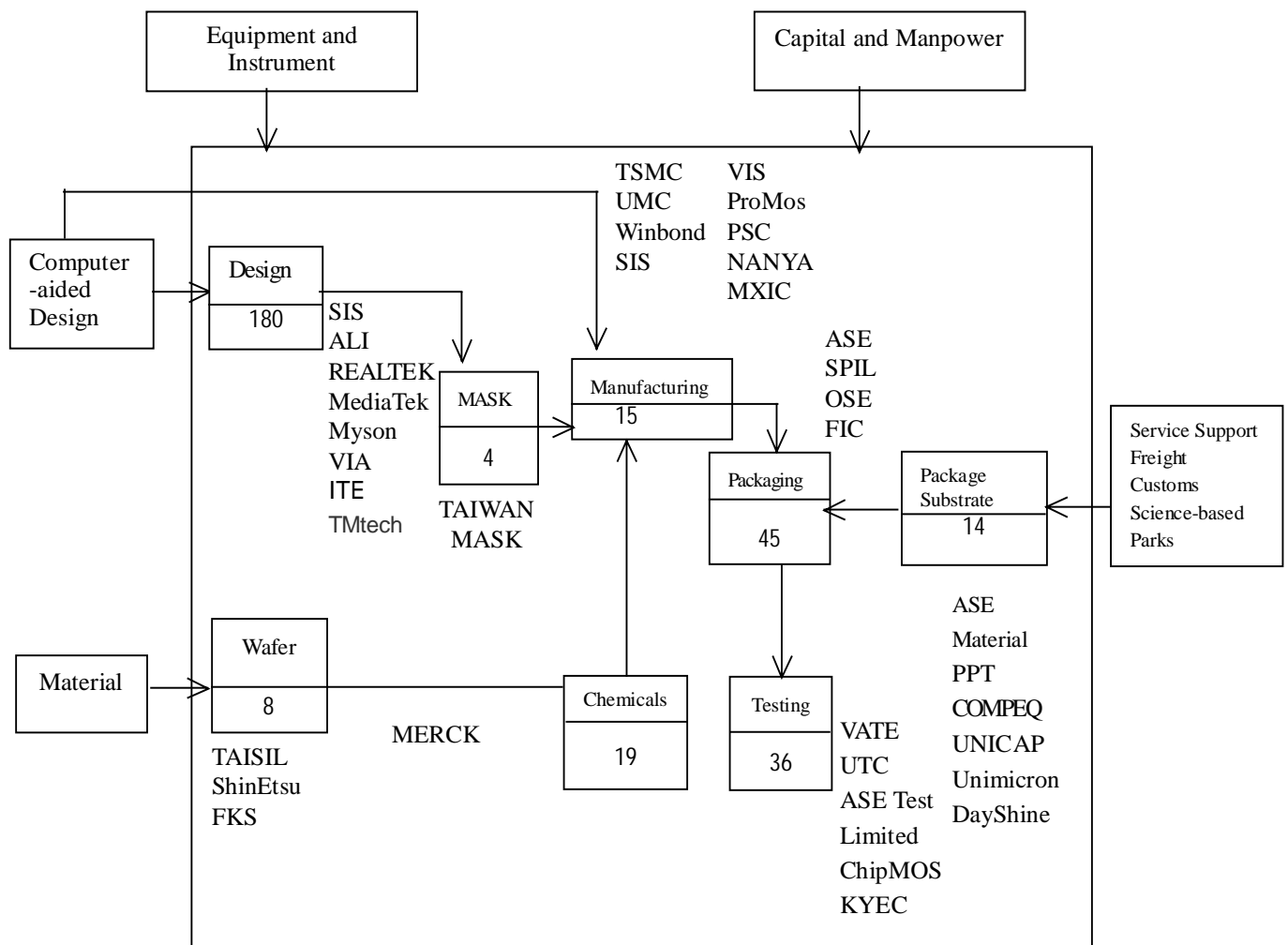
Source: IT IS Plan, Department of Industrial Technology, MOEA

b. Correlation among the industry's up-, medium- and down-stream:

In the overall semiconductor supply chain, the primary business of the company is packaging and testing for the medium-stream manufacturers and supply of packaging materials for the down-stream suppliers.

The company provides customers with wafer packaging and testing service while customers provide the wafer. Among our customers mostly are internationally renowned semiconductor manufacturers with whom we have maintained a long-standing cordial relationship. Our competitive edge as well as our partner's stems from the strategic alliance and vertical division of labor.

Structural Chart of Taiwan's Semi-conductor Industry



Source: ITIS Program, Industrial Economics and Knowledge Center, ITRI

c. Product development trends:

Development of the packaging technology at present, apart from the fine pitch bonding seen in the increased number of pins and the flip chip packaging technology, primarily applied to such high-end packaging as chipset, graphic chips and network communications chips, there are lead-free packaging as required by EU countries as of 2004, FBGA packaging that applies primarily to portable products such as flash of handset memory and jointly packaged SRAM, and chip scale packaging, which makes the size of the chip appears to its original size after packaging, an ultimate goal of packaging. In addition, Multi-chip Module or MCM, and System in Package or SiP have been the focus of the industry to elevate the technological level as both present multi-function and helps condensation of size.

d. Status of competition:

In the semiconductor packaging and testing industry, the front-line firms must compete by technology so that the high gross-margin orders for advanced manufacturing process can be expected. In recent two years, the top four packaging and testing firms

have aggressively set a strong foothold in the high-end packaging products one after another. That leaves obviously the non-ranking firms far behind in advanced manufacturing process. Beginning from the middle of 2002, the production capacity use ratio for fine pitch bonding BGA packaging and high-end testing had climbed up quarter after quarter, averaging over 70%. With the continuous elevation of semiconductor technological level, the amount of investment has also relatively increased. Large IDM plants and IC design firms use their core competence as a major competitive power, which will inevitably expedite the fast growth of semiconductor foundries.

In view of this development, the company has been aggressively on the move to expand our production capacity so as to thoroughly develop the economy of scale, enhance the width and depth of the production line in order to expand our market share. On the technology and manufacturing process capacity front, we have continued to elevate the cooperation level with our customers by providing comprehensive semiconductor back-end manufacturing service. In addition, by M&A and joint venture, we have positioned ourselves to increase our competitive edge, reduce the R&D risk for development of new products and, with a comprehensive production line, capture the leading position in the marketplace.

3. Technology and R&D

a. R&D expenses in the most recent year:

		In NT\$1,000		
Item	Year	2002	2003	1Q2004
Operating income		25,631,776	31,487,791	5,702,033
R&D expenditure		577,945	756,097	121,390
R&D expenditure as a percentage of revenues		2.25%	2.40%	2.13%

b. Technological level used in the service offered:

The company provides advanced semiconductor back-end manufacturing technology, which includes the technology and testing capacity for flip chip packaging, 6"/8"/12" wafer bumping packaging and high-end chip scale package or CSP, photoelectric packaging, 3D and system in package.

ASE Inc. is the leader in chip scale package, flip chip package, 12" wafer bumping package in both technology and production capacity. We ranks the top, second to none. In addition, ASE Inc. possesses the unique 12" chip back-end integration service not seen anywhere in the world. Needless to say, we are also aggressively developing the green package solutions.。

c. Research and development:

Since we are known for our professional semiconductor back-end manufacturing service, which helps our customers obtain the optimal commercial yield at the minimum cost, our R&D results and direction in the face of the fierce competitive environment are as follows:

(1) Future R&D technology and planned R&D product

- Green Package
- Green Flip Chip Package
- Flip Chip QFN Package (QFN: Quad Flat No Lead)
- Fine Pitch Core Layer Substrate Design
- Thinner package on 1.4mm 7 layer FBGA Package
- Wafer level hermetic packaging technology

(2) Successfully developed technology or product:

(a) New products

- Flip Chip with 0.13 um Cu / LowK Wafer
- Flip Chip with 90 nm Cu / Ultra LowK Wafer
- Leadfree Compatible Flip Chip Package with Eutectic Bump
- 50x 50 mm Large Flip Chip Package Qualified
- 0.5mm UFBGA Package
- Micro display made by MEMS Technology

(b) New technologies

- Flux Cleaning Process for Highlead Bumped Flip Chip Package to improve cold joint
- High Performance Multi-Package Flip Chip Product to gather different IC into a unit to improve performance and save space
- First ever successfully developed block molding packaging technology to provide clear compound molded IC products, achieving high-efficiency packaging requirements for low cost and small size.

4. Short- and long-term business development plan

a. Short-term plan:

- To have an even better relationship with existing customers and aggressively seek orders from large IDMs.
- To enhance the current weight of high-end types, thereby raising the average price of products.
- To seek orders from mobile customers and establish a long-term relationship with them.

b. Long-term plan:

- To expand the sales weight of chips for LCD monitor
- To seek orders from world-class PC makers who have not been our customer.
- To integrate up- and down-stream components manufacturer and supplier so as to increase the added value of product.

- To expand the overall production scale, seek cost advantage and make our price even more competitive
- To use new chassis to renew existing ones so as to achieve a production capacity with even more cost efficient, thereby enhancing competitiveness of products.

B. Market and Sales

1, Market analysis

a. Major products sold to areas in 2003:

In NT\$1,000		
Market	Sales	%
North America	15,697,036	49.8
Taiwan	11,559,207	36.7
Europe	2,985,177	9.5
Asia ant Others	1,246,371	4.0
Total	31,487,791	100.0

b. Market share:

Statistics of Revenue Ratio of Major Packaging & Testing Firms						
Year	ASE Inc.	Amkor	SPIL	ChipPac	STATS	ASAT
2000	30%	37%	11%	9%	6%	7%
2001	32%	38%	13%	9%	4%	4%
2002	33%	35%	16%	9%	5%	2%
2003	34%	31%	16%	8%	7%	4%

Sources: U.S.SEC & Market Observation Post System (After compilation by ASE Inc.)

In 2003 ASE Inc. formally became the world No. 1 professional packaging and testing plant, after having surpassed the capacity of its largest competitor Amkor. From the viewpoint of demand, packaging is directly connected with the wafer maker from the top, followed by various IC applications, among which the ratio of IC requirement stands equally important. Revenues from 3C sector to ASE Inc. is more or less balanced, different from others where the focus may be on only one of them. In view of the increasingly uninterrupted demand for packaging and testing capacity from the industry, our past investment in technology and production has put us in the ready position to meet this forthcoming trend.

Looking forward to 2004, we are further ready to aggressively make continuous investment in high-end packaging and testing technology and production capacity. Needless to say the management will at the same time try its very best to increase our profitability rate. On the 20th anniversary of the founding of ASE Inc., we feel proud for what we have done in the past two decades and we are even more confident and hopeful about the future.

c. Current market status:

Area	Amounts in US\$M			Year on Year Growth in %		
	2002(a)	2003(a)	2004(e)	2002	2003	2004
North America	31,275.40	32,325.60	38,047.23	-1.26	3.3	17.7
Europe	27,788.50	32,360.90	37,117.95	-8.00	16.5	14.7
Japan	30,493.60	38,954.20	45,927.00	-8.00	27.7	17.9
Asia	51,155.70	62,827.20	77,528.76	28.00	22.8	23.4
Total	140,713.30	166,467.92	198,762.70	1.26	18.3	19.4

Source: SIA of USA, February 2004

According to SIA, the worldwide semiconductor industry grew 18.3% in 2003 and the growth rate is estimated to be over 19.4% in 2004. by the SIA estimate, growth in North America and Japan is expected to be around 17% and for Asia the rate could be a high 23% whereas Taiwan and South Korea will show the most significant growth rate, contributing half of the growth. The strong demand will nevertheless retrench production capacity of wafer makers and the use rate of high-end manufacturing process production capacity is approaching to the full load, exceeding the current average 90%.

Additionally, according to statistics released by iSuppli, an American survey company, by the yearend of 2003, the back-end stockpile in the electronic industry supply chain was extremely low while electronic product manufacturers had maintained a year-round lowest supply level where the stockpile level was the lowest in three years. Apart from PC-related chip makers, stockpile for all other semiconductor secondary sectors such as programmable logic components, analog/power and communications chips had all reached a new three-year low. The strong demand for semiconductor in the first quarter of 2004 had prolonged the lead time, followed by retrenchment of production capacity. The situation may force customers for chips to take a dual order-replacing strategy so as to ensure that supply of components would never become short. In so doing, the front-end supply chain will be forced to increase the stockpile, thus making the stockpile level to exceed the safety level.

From the viewpoint of equipment, the forecast revealed by VLSI Research, an American market survey firm, indicates that the worldwide IC equipment market, excluding wafer manufacture, may have a 40.1% growth in 2004, reaching a market scale of US\$43.5 billion. For the global IC testing-related equipment, the growth could reach 42.1% in 2004 compared to 2003 at the value of US\$10.7 billion. For IC-related packaging market, 2004 will see a 40.3% growth with US\$3.2 billion in revenue.

Yet, another market survey company IC Insight pointed out that semiconductor firm capital expenditure in 2000 accounted for 30% of the total production capacity value while in 2003 it was only 18%, even lower than the 19% registered for the early 1990s. Owing to the seemingly low investment ratio made in 2002 and 2003, it is likely that the production capacity, especially the high-end side, in 2004 will tend to be inadequate and insufficient while demand could continue to rise high.

d. Market supply and demand and growth in future:

According to the latest statistics released by Electronic Trend Publications, IC

packaging market grows at the rate of approximately 7.9% each year, from the US\$13.4 billion market size in 2002 to US\$16.75 billion in 2004. The market is estimated to hit the US\$20 billion mark in 2007

AS to the type of package, the total BGA package value in 2003 stood at US\$3.67 billion, exceeding for the first time the US\$3.56 billion production value of SO package. Thus, BGA has become a mainstream packaging type and its growth from 2002 to 2007 is estimated to be at 13.39% for the 5-year period.

CSP is the sector that grows the fastest in the market and its growth from 2002 to 2007 is estimated to be at 17.58% each year. The total CSP production value in 2003 was approximately US\$1.39 billion. QFP is the third largest packaging market at an annual growth rate of approximately 4.77%, whose 2003 production value was approximately US\$2.88 billion. The growth for PGA is about 6% each year and its total 2003 production value stood at US\$2.75 billion.

On the outsourced packaging and testing market, giant international IDMs have diverted their attention to core advantage such as product design, R&D, and marketing IDM as a result of the pressure brought about by generation shift. At the same time, due to economic slowdown the industry had experienced, profitability at the giant international IDMs was greatly reduced. Consequently, capital outlay with regard to semiconductor production capacity was correspondingly curtailed to a great extent, becoming conservation regarding expansion for the back-end packaging production capacity. Meanwhile, leading packaging foundries have uninterruptedly had their feet in the R&D of new technology in order to meet the high-end demand brought upon by various new types of IC products. As such, giant international IDMs have gradually begun to rely on the advanced packaging and testing manufacturing capability of the leading packaging foundries. According to the forecast made by market survey company Dataquest, the outsourced IC packaging market size could grow to US\$18.3 billion in 2006 while the compound growth rate from 2002 to 2006 could reach 22%. The accelerated rate of outsourcing by giant international IDMs contributes a major factor.

Overall Market Size of Semiconductor Packaging and Testing Market from 2001~2007

(In US\$ million)	Overall Packaging and Testing Market Size						
	2001	2002	2003	2004	2005	2006	2007
Overall Packaging and Testing Market Size	24,893	26,751	29,560	35,005	41,770	40,953	44,617
Overall Packaging Market Size	19,954	21,476	23,605	27,968	33,194	32,610	35,344
Overall Testing Market Size	4,939	5,275	5,955	7,037	8,576	8,343	9,273

(In US\$ million)	IDM Packaging & Testing Market Size						
	2001	2002	2003	2004	2005	2006	2007
IDM Packaging & Testing Market Size	17,750	18,383	19,355	20,855	23,625	22,654	23,982
IDM Overall Packaging Market Size	14,200	14,491	15,550	16,735	18,969	18,166	19,187
IDM Overall Testing Market Size	3,550	3,692	3,805	4,120	4,656	4,488	4,795

(In US\$ million)	Prof. Foundry Packaging and Testing Market Size (SATS)						
	2001	2002	2003	2004	2005	2006	2007
IDM Packaging & Testing Market Size	7,143	8,368	10,205	14,150	18,145	18,299	20,635
IDM Overall Packaging Market Size	5,754	6,785	8,055	11,233	14,225	14,444	16,157
IDM Overall Testing Market Size	1,389	1,583	2,150	2,917	3,920	3,855	4,478

	Packaging and Testing Outsourcing Foundry Ratio						
	2001	2002	2003	2004	2005	2006	2007
Outsourcing Foundry Ratio (Packaging and Testing)	28.7%	31.3%	34.5%	40.4%	43.4%	44.7%	46.2%
Outsourcing Foundry Ratio (Packaging a)	28.8%	31.6%	34.1%	40.2%	42.9%	44.3%	46.7%
Outsourcing Foundry Ratio (Testing)	28.1%	30.0%	36.1%	41.5%	45.7%	46.2%	48.3%

Source: :Dataquest

e. Competitive niche:

Why ASE Group has become the world No. 1 professional semiconductor packaging and testing firm and maintains its long-standing leading position lie in its competitive niche. The various competitive edges are analyzed below:

(1) Leading position in high-end product technology and quality

Since semiconductor products have repeatedly replaced by newer products and production cycle has continuously shortened, price fluctuation for semiconductor products has been extremely volatile. To the cost of the whole industry, packaging cost accounts for 5%~25% of the sale price and, with the evolution of technology, the cost for packaging will proportionately increase as well. To many customers of the large international semiconductor makers, the quality, conforming rate and delivery of package have become increasingly important. It has become a key factor in competition. ASE Group is the world No. 1 semiconductor packaging firm whose technological standards have matched those of the giant international firms. In particular, the technology required of such high-end packaging as PBGA packaging, flip chip packaging, and CSP that ASE Group is equipped has greatly exceeded fellow firms.

Further, ASE Group has for a long time appropriated an annual 3%-5% from its revenues each year for R&D expenses to maintain its leading position and competitive edge in the marketplace. This is particularly so even in 2000, 2001 and 2002 when the semiconductor industry was experiencing an economic recession. The R&D outlay in those years was US\$41 million, US\$45 million and US\$59.39 million, higher than Amkor and Sipin spent.

(2) Continuous expansion of production capacity and seizing of business opportunity of giant IDM outsourcing orders

According to the 2003 statistics released by US IC design company FSA and market survey firm Dataquest, plant expansion by large IDMs have been stagnant

for the last three years due to slowdown in the industry. However, demand for manufacturing process has accelerated from leadframe packaging to the next general BGA (Ball Grid Array) packaging. When the internal production capacity at large IDMs experience technological dislocation, the weight of outsourcing is bound to expand. The forecast for global packaging demand in 2003 could grow 69%, and testing 44%. For ASE Group, we have since the beginning of the year received in succession orders from IC design companies Altera and LSI Logic, and Intel, the giant IDM, as well as TI, their first ever outsourcing order.

To meet ever increasingly trend for outsourcing order, ASE Group has for many years aggressively deployed its operating strategy and expanded high-end production capacity in order to seize the potential business opportunities. Judging by the capital outlay in the past three years, ASE Group has massively led its fellow competitors, many times over its largest competitor Amkor. In future when the semiconductor industry returns to a bull market, and the trend for large IDMs to place outsourcing orders for high-end packaging, we expect to maintain our global leading position for packaging and testing market.

f. Strength and weakness for future development

(1) Strength

- From 2003 to 2005, the semiconductor market is forecasted to show a gradual growth trend coupled by the arrival of global PC update cycle, derivation of new electronic products such as 3G handset, as well as released production capacity from large IDMs in future. Translation: The development and trend will bring IC packaging and testing industry more room for development and more business opportunities.
- Increasingly market demand for new products and new technologies should present a great opportunity for ASE Group as we have been known for our competitive edge in research and development and innovation.
- Some Japanese and Korean IC substrate firms have gradually withdrawn from the PBGA market for the high cost involved and losses that have seen sight for improvement. Moreover, when Korean LG announced its withdrawal from the BGA substrate market, the market forecast that the price for BGA substrate in future should become steady. With the trend for BGA packaging, flip chip packaging and CSP packaging, demand for substrate should continue to increase. Since ASE Group possesses steady self-contained supply of high-end substrate, we are in a position not only to hold the key to the supply of high-end packaging material, but can also effectively lower the overall IC manufacturing cost and raise our profitability.
- Apart from the conventional BGA, QFP, and QFN packaging products, more high-end products such as chip set, graphic chips, and chips related to photoelectric products as well as potential customers and more vast and deeper market await our development. The opportunity for ASE Group to grow triple in three years lies in here and shall begin here.
- From 2003 to 2005, demand for IC on mainland China is bound to increase massively. Moreover, huge potential development opportunity of the electronic industry on mainland China appears promising for large international semiconductor makers. On the basis of clustering effect, supply

chain principle and high inland VAT of China, ASE Group has been ready in both geographical position and employment of resources to meet the next wave of growth, not to mention readiness to seize the first available opportunity.

(2) Weakness

- Local fellow competitors have been aggressively trying to steal ASE customers from us. In addition, alliance by competitors may likely produce adverse effect upon ASE Group.
- Threshold for new technology has been lower and lower and imitation ability of competitors has gradually improved. Besides, the profitability cycle for new products has been gradually shortened. This is external threat to ASE Group, known for its long-standing technological advantage. Since development of new technology requires massive input of manpower and capital, ASE Group is relatively weak in flexibility in price variation in subsequent pricing. In the era of thin profit, this is indeed a challenge.
- IC packaging and testing industry are buyer's market at present. The pressure of price drop for product has continued to bring impact upon foundries and packaging and testing firms. The pace at ASE Group to improve its production costs needs to be greater than the massive price drop latitude so that we may offset the price drop pressure in the marketplace and augment our room for profit. Customer demand for IC back-end packaging and testing has becoming increasingly stern and that if we want to present a significant performance, we must demonstrate we can exceed the expectation from the giant international IDMs.
- Semiconductor back-end packaging and testing is of high capital-intensive industry, affected greatly by the semiconductor market whereas operation of the business is tremendously influenced by the market condition, bull or bear. IC packaging and testing industry requires prudent review of investment plan and personnel, as well as planning of equipment, capital and technology. The industry needs flexibly to handle the impact brought upon by massive influx of orders when the economy is good and reduction of orders when the economy is bad.

(3) Response measures

- To use integration advantage to provide one-stop service as we may integrate resources and technologies within the Group to create more value-added products and augment the economic efficiency. By strengthening our competitive edge, we are better prepared to seize more burgeoning business opportunities in future.
- To provide and satisfy customer demand for more new products, new technologies and massive instant needs through the unique ASE Inc.'s advanced manufacturing process and flexible production capacity and diversified production lines.
- To provide steady capital and sufficient resources for development of new technologies and new products through our strong financial structure.
- To use technological advantage to improve design defects and establish the most optimal manufacturing process to upgrade the steadiness of manufacturing process and enhance ASE's competitiveness in cost and

quality so as to seize the maximum market opportunities.

- To seek more potential customers and augment business territory so as to accelerate our goal of triple growth in three years by virtue of ASE's advanced technology advantage, capital edge and advantage of resources integration.
- To pragmatically develop trans-plant exchange of advanced technology and trans-department coordination function so as to expedite accomplishment of our mission and goal.
- To vertically integrate and horizontally cooperate through horizontal link materials, packaging and testing so as to solidify our competitiveness, provide more comprehensive service, possess the optimal flexibility for meeting external challenge from time to time.
- To continuously strengthen technological advantage and provide and satisfy customer demand for diversification by the nature of the concerned customer as well as upgrade service quality. In addition, to build up a patent protection net and curtain the imitation pace that other competitors may try.
- To elevate the weight of customer order for ASE Inc.'s one-stop service, and expedite the pace of integration by providing customers the most comprehensive architecture that offers the fastest and satisfactory service.

2. Important applications of major products

a. Important applications of major products:

Major products	Important applications
PDIP	Home appliance, communications equipment, auto components, airplane, weapon, space shuttle and other computer remote control information system and aviation-guiding equipment.
PLCC / QFP BCC Flip Chip LQFP.TQFP BGA.TFBGA.LBGA FC BGA, HFC BGA TE BGA /VF BGA / LGA Exposed Pad QFP HSBGA QFN	<ul style="list-style-type: none"> ◆ Microprocessor, communications equipment, automatic auto components, PC and cellular phone. ◆ Wireless communication network PDA, digital camera, IT home appliance and cellular phone. ◆ PC and notebook computer. ◆ PC games, DVD and top box. ◆ PC, notebook computer, wireless communication network, PDA, digital camera, IT home appliance, and cellular phone.
SOP、 SOJ /TSOP SCSP	<ul style="list-style-type: none"> ◆ Packaging of memory IC. ◆ PC and computer peripherals.
3D Package Stacked BGA MCM BGA	Primarily used in portable IT products such as handset, PDA, digital camera, etc. Nokebook computer, hard disk of PC. Etc.
Wafer Lever CSP Flip Chip CSP	Primarily used in portable IT products such as handset, PDA, digital camera, etc.
Clear compound molded IC package Wafer level CMOS image sensor MEMS-based Micro display	Primarily used in image-related IT products such as handset with camera function, image sensor, etc.

b. Production process:

Lead /frame products: Wafer saw → Die attach → Wire bond → Molding → Top side marking → Singulation → Final visual inspection → Packaging
BGA products: Wafer saw → Die attach → Wire bond → Molding → Top side marking → Ball mount → Singulation → Final visual inspection → Packaging
Flip chip products: Bumped wafer → Wafer saw → Flipchip bond → Under fill → Top side marking → Solder ball mount → Final visual inspection → Packaging

3. Supply of major materials

ASE Inc. provides IC packaging service for manufacturers in the semiconductor industry, where clients supply the chips. ASE Inc. maintains a good working relations with all of the clients, who are primarily internationally known semiconductor manufacturers.

Suppliers of major packaging materials such as leadframe, substrate, epoxy, gold wire, and solder ball are all qualified manufacturers approved by our quality control department. In particular, the major suppliers for leadframe and substrate is ASE Material Inc., an affiliate of the ASE Group that ensures stable supply of materials needed for operation. In fact, the affiliate is scheduled to be merged with the parent company in 2004. In addition, the joint venture with Compeq Manufacturing Co., Ltd., the largest substrate maker in Taiwan, to form an IC substrate firm would further guarantee supply of materials we need for operation.

4. Top-ranking customers and suppliers in the last two years whose business accounted for 10% or more of total incoming goods or sales

a. Customers who accounted for 10% or more of sales

In NT\$1,000

Rank-ing	2003			2002		
	Customer	Amount	%	Customer	Amount	%
1	Company A	4,702,705	14.9	Company B	3,220,023	12.6
2	Company B	3,638,735	11.5	Company A	2,234,723	8.7
	Net sales	31,487,791	100.0	Net sales	25,631,776	100.0

b. Customers who accounted for 10% or more of incoming goods

In NT\$1,000

Rank-ing	2003			2002		
	Supplier	Amount	%	Supplier	Amount	%
1	ASE Material Inc.	4,416,271	26.8	ASE Material Inc.	2,885,588	23.5
2	Company A	2,061,104	12.5	Company A	1,519,142	12.4
3	Company B	1,596,976	9.7	Company B	1,297,409	10.6
	Total purchase	16,472,362	100.0	Total purchase	12,271,377	100.0

The Company has established stable relationship with all major suppliers. The list of major suppliers in 2003 and 2002 does not vary much.

5. Output and sales in the last two years

Unit: 1,000 pcs/NT\$1,000

Output Product	Year	2003			2002		
		Capacity	Volumn	Value	Capacity	Volumn	Value
PDIP		141,120	44,042	175,828	139,868	61,987	236,460
PLCC		60,480	39,336	231,143	60,270	46,012	265,852
EQFP		330,288	259,800	3,385,009	286,112	234,176	3,042,089
LQFP		422,352	384,559	4,085,738	396,030	315,856	3,361,362
SOP/SOJ/SSOP/TSOP		292,320	200,229	884,433	247,024	206,896	938,475
BGA		537,600	405,633	15,016,008	456,811	335,460	11,678,756
BCC		252,000	211,686	1,047,731	230,479	169,226	821,428
Others				921,876			309,291
Total		2,036,160	1,545,285	25,747,765	1,816,664	1,369,613	20,653,713

6. Sales in last two years

Unit: 1,000 pcs/NT\$1,000

Sales Product	Year	2003				2002			
		Domestic market		Export market		Domestic market		Export market	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PDIP		16,168	47,854	27,874	82,503	22,935	69,171	39,052	117,777
PLCC		14,440	93,459	24,896	161,127	17,024	113,844	28,987	193,842
EQFP		95,373	1,475,796	164,427	2,544,337	86,645	1,371,753	147,531	2,335,687
LQFP		141,172	1,786,998	243,387	3,080,863	116,867	1,535,639	198,989	2,614,736
SOP/SOJ/ SSOP/TSOP		73,504	350,619	126,725	604,483	76,552	380,445	130,344	647,785
BGA		148,908	6,943,798	256,724	11,971,415	119,043	5,266,652	216,417	9,063,321
BCC		77,710	477,102	133,976	822,545	67,691	472,507	101,536	708,761
Others			383,581		661,311		366,497		373,359
Total		567,276	11,559,207	978,010	19,928,584	506,757	9,576,508	862,856	16,055,268

C. Organization and Manpower

1. Organization

In order to maintain a competitive edge in the market, our paramount manpower strategy is directed at fostering quality engineering personnel, strengthening job description system, clearly identifying organizational functions and training career employees.

2. Employee profile in the last two fiscal years up to the date of this report:

Year		2003	2002	2/29/04
Employee	Technical	2,212	1,851	2,235
	Management	217	175	233
	Clerical	882	684	922
	Operator	6,647	5,822	6,558
	Total	9,958	8,532	9,948
Ave. age		28.8	28.7	29.1

Year		2003	2002	2/29/04
Av. Years of service		3.39	3.58	3.48
Percentage by Education	Ph. D.	0.1	0.1	0.1
	Master	2.2	2.0	2.3
	Bachelor	47.9	49.4	49.6
	High school	49.8	48.5	47.7
	Below high school	-	-	-

D. Outlay for Environmental Protection

- The following explain losses attributable to environmental pollution, including compensation, the company incurred in the last two years up to the time of this report. Details further include the total disposed amount, future responsive measures, including improvement measures and probable outlay in future, including probable loss due to no countermeasures take, disposal and estimated amount for compensation. Where there is no reasonable estimate, the fact is thus stated.
 - 2004: Until the time of this report, there has been no major environmental pollution case reported as we have been in full compliance with the law.
 - 2003: No major environmental pollution case reported as we had been in full compliance with the law.
 - 2002: No major environmental pollution incidents, except receiving a fine of NT\$6,000 from the Bureau of Environmental Protection, Kaohsiung City Government in November 2002 because the contracted hauler negligently left general waste out in the open. The situation was remedied in November the same year.
- Impact of current pollution status and improvement plan upon the company's profit, competitive position and capital outlay as well as planned major outlay for environmental protection in the next two years

Item	2004	2005	2006
Planning improvement measures (1) Improvement plans	<ol style="list-style-type: none"> Addition of waste water treatment plant Addition of waste gas prevention equipment (VOC processing equipment) Improvement of wastewater treatment facility. Addition of waste gas prevention equipment and overhaul of piping lines Improvement of irregularities found at the thermal incinerator Energy conservation. Waste reduction plan Recovery of waste water Addition of acid- 	<ol style="list-style-type: none"> Replacement of filler of waste gas treatment Improvement of wastewater treatment facility. Energy conservation. VOC reduction. Wastewater recycling. Energy conservation. Waste reduction/ volume reduction plan. Addition of acid-cleansing pipe for air pollution 	<ol style="list-style-type: none"> Replacement of filler of waste gas treatment Improvement of wastewater treatment facility. Energy conservation. VOC reduction. Wastewater recycling. Energy conservation. Waste reduction/ volume reduction plan. Addition of acid-cleansing pipe for air pollution Sludge reduction in quantity and weight Recycling of waste acid-alkali liquid

Item	2004	2005	2006
	cleansing pipe for air pollution 10. Sludge-reduction in quantity and weight plan 11. Recycling of waste acid-alkali liquid 12. Noise prevention.		
(2) Estimated outlay for procurement of pollution prevention equipment in the next 2 years or expense items	1. Improvement of environmental protection equipment 2. Pollution prevention 3. Energy conservation facility. 4. Sludge baking equipment 5. Addition of noise prevention facilities 6. Add VOC treatment facility. 7. Addition of recycling facilities for treating waste acid-alkali liquid	1. Improvement of wastewater and waste gas facilities. 2. Add more recycling facilities. 3. Add VOC treatment facility.	1. Improvement of wastewater and waste gas facilities. 2. Add VOC treatment facility. 3. Reduction of water contents in sludge 4. Addition of facilities for recycling of waste acid-alkali liquid
Anticipated improvements	1. Enhance the efficiency of treatment facilities. 2. Waste reduction / volume reduction / recycling. 3. Reduce energy consumption. 4. Noise reduction	1. Extend the service life of facilities. 2. Waste reduction / volume reduction / recycling. 3. Reduce energy consumption. 4. Lower VOC discharge.	1. Extend the service life of facilities. 2. Waste reduction / volume reduction / recycling. 3. Reduce energy consumption. 4. Lower VOC discharge.
Outlay(NT\$)	\$72,000,000	\$20,000,000	\$31,000,000
(3) Impact after improvement Impact on net profit Impact on competitive position Situations where no response actions are taken	Expense increased by \$4,586,000 No material impact NA	Expense increased by \$1,800,000 No material impact NA	Expense increased by \$1,986,000 No material impact NA

3. Environmental policy

Environmental protection is our inescapable duty. We are committed to carrying out pollution prevention and continuous improvement in environment protection in response to worldwide call for environmental protection. Our environment policies are as follows:

- To comply with environmental protection act and related laws and regulations.
- To educate employees so as to raise awareness of environmental protection among all employees.
- To step up the works of control, improvement with regard to waste water, waste gas,

refuse and noise in addition to pollution prevention.

- To conserve energy and resources and carry out recycling or resources.
- To closely cooperate and negotiate with the general public and related bodies with regard to environmental protection-related issues.
- To commit to continuous improvement and assurance of sustained operation.
- To propagate this policy so that employees and the general public would understand the resolve of ASE management in its commitment to environmental protection.

4. Work safety and hygiene policy

We are committed to providing and maintaining a safe and clean working environment that meets the industrial standards and the requirements of laws.

Our commitment to safety and hygiene is as follows:

- We are devoted to meeting the requirements as set forth in safety and hygiene ordinances and related laws and regulations.
- We promise we would continuously improve and reduce accidents from occurring so as to ensure that losses resultant from accident can be controlled under the comprehensive management system.
- We are committed to providing related education and training resources to our employees so that they may raise their awareness of safety.
- To suppliers, contractors and our customers, we would promote our determination to improve our working environment.

E. Labor Management Relations

1. Employee fringe benefits

The management recognizes the inseparable labor-management relationship. Therefore, in a board resolution reached in 1996, it was decided that each year 5%~7% of the annual surplus shall be appropriated for employee bonus. In addition, an across the board employee welfare program was implemented to improve welfare, literature, entertainment, and educational facilities, including libraries, group activities, annual travel, literature and entertainment contests so as to give employees the opportunity to adjust their body and mind after work. Furthermore, measures related to employee welfare and labor-management relationship have been enhanced as shown below:

- Free group medical treatment insurance for employees and their dependents.
- An overall improvement of safety and hygiene of the plant facilities was carried out to maintain a clean and comfortable working environment.
- Holding regular and unscheduled meetings with employees for communication.
- Setting up a work safety and hygiene supervisory committee.
- Setting up an employee welfare committee in charge of implementing various fringe benefits for employees.
- Setting up a cafeteria and a co-op.
- Offering employees cash gift for wedding, funeral allowance, hospitalization

consolation money and scholarship for employee's children.

- Offering a well-establishment retirement system.
- Offering physical checkup benefit for employees.
- Employee stock option and bonus in cash.
- Gift coupons for three regular Chinese festivals and employee's birthday.
- Employee travel and option to purchase diversified merchandise.
- Accident insurance coverage of NT\$10 million for employee who travel on business trip.
- Measures concerning settlement of parents and children on holidays.
- Free meals on holidays.
- Setup of employee amusement and gym center.
- Employee stock option warrant.

2. Further studies by employees and the status

- Incumbent employees who have acquired related diploma (degree) are eligible for education upgrade examination and be given a salary raise as a way of encouragement.
- The management offers employees channels for education and industry cooperation programs for further studies and, in cooperation with Employment and Vocational Training Adm., conducts Taiwan Elite training program.

3. Employee training and the implementation status

- New hires are given pre-employment training and professional training as well. In addition, evaluation of new employees is in progress.
- Design and implementation of executive skill training and development of occupational skills.
- Design and implementation of professional technological training for engineers.
- To provide incumbent employees professional skill and secondary specialty training (OJT).
- To train internal professional lecturers and instructors within the company.
- Design and implementation of training courses related to occupational safety and environmental protection.
- To provide employees opportunities to participate in outside training programs or seminars.

4. Retirement system and implementation status

In compliance with the provisions set forth in the Labor Standards Law, we established the pension funds supervisory committee in November 1986. Funds have been appropriated on a monthly basis and deposited into the account in the Central Trust of China. Payment may be drawn any time by employees upon retirement.

In 2003, a preferential retirement condition was added, which stipulates that anyone who has been in the employment for a full 15 years or over may be eligible for retirement provided that the age + the service longevity exceeds 70.

5. Labor-management dialogue

The management offers written and electronic communication channels for dialogue with employees and, in each plant, there are regular employee-management round table meetings. All in all, communication between employees and the management has been excellent and there is no dispute ever arising between labor and management.

6. Measures concerning employee welfare

- The interest of all employees are protected by the Labor Standards Law.
- According to Equal Opportunity Employment Act, we offer an equal working opportunity to both sexes and provide a working environment free from sex harassment.

7. Losses in the last two fiscal years up to the date of this report associated with labor disputes, including current and probable estimated amount and countermeasures: None.

F. Important Contracts

Nature of contract	Interested party	Term	Content	Restrictions
Business	ASE(U.S.) INC.	2003.08-2004.07	Business agency	None
Business	Gardex International Ltd.	2003.08-2004.07	Business agency	None
Land lease	Export Processing Zone	1994.04-2012.12	Lease of land	No unrelated use during the term of the lease and payment of rental must be effected in accordance with terms and conditions as set forth in the contract.
Joint guarantee for corporate bond	Chinatrust Commercial Bank, HSBC, etc. (nine in all)	2004.01-2009.01	Guarantee for unsecured common corporate bond issued at home	Financial ratios.
Syndicated loan	Chinatrust Commercial Bank, HSBC, etc. (seven in all)	2004.03-2009.03	Guarantee for commercial notes	Financial ratios.
Syndicated loan	21 banks led by Citibank	2003.09-2008.09	Contract for acceptance draft by banks and NTD loans	Financial ratios.
Syndicated loan	26 banks led by Citibank	2002.12-2005.12	NTD long-term loans	Financial ratios.
Patent	MOTOROLA INC.	2003.01-2010.12	Patent authorization	Confidentiality clause
Patent	FUJITSU LIMITED	1998.04-2003.04	Patent authorization	Confidentiality clause
Patent	FLIP CHIP TECHNOLOGIES LLC.	1999-2009	Patent authorization	Confidentiality clause
Patent	TESSERA U.S.A.	1998.01-2016.10	Patent authorization	Confidentiality clause
Patent	A Multinational company	2000.07-2005.12	Patent authorization	Confidentiality

Nature of contract	Interested party	Term	Content	Restrictions
				clause
Combination	ASE (Chung Li) Inc. and ASE Material Inc.	2003.10.28	ASE Inc. is the surviving company whereas ASE (Chung Li) Inc. and ASE Material Inc. are the extinguished companies	None
Purchase of stock ownership	J&R Holding Ltd. ,NEC Electronics Corporation 及 NEC Yamagata, Ltd.	2004.02.03	NEC Yamagata, Ltd. shall form a subsidiary and the business and assets of IC packaging and testing plant it has in Yamagata Prefecture shall be transferred to the said subsidiary. After that, ASE Inc.'s subsidiary J & R Holding Ltd. shall buy holdings of that subsidiary.	Confidentiality clause
Packaging and testing service	NEC Electronics Corporation	2004.02.03	Resolved that once J&R Holding Ltd. acquired NEC Yamagata, Ltd., the subsidiary thus formed shall provide packaging and testing service to NEC Electronics Corporation	Confidentiality clause

Note: Data above are up to the date of this report.

G. Litigation or Non-litigious Cases

1. For the most recent two years up to the date of this report, judgment already rendered, major litigations, non-litigious cases or administrative disputes in progress: None
2. For the most recent two years up to the date of this report, judgment already rendered, major litigations, non-litigious cases or administrative disputes in progress company directors, supervisors, present, shareholders with over 10% holdings and affiliated companies:

Chairman Jason C. S. Chang, Vice Chairman Richard H. P. Chang were charged on December 7, 1998 by the Prosecutor's Office of the Taipei District Court on account of breach of trust and forgery. Judgment of the case was rendered by Taiwan High Court per Judgment 90-Shang-Su-Tze-#665, sentencing Jason C. S. Chang to four years in prison for continuous use of forged documents. Richard H. P. Chang was vindicated. To the judgment, Chairman Chang filed an appeal and the Supreme Court repealed the judgment against Chairman Chang per Judgment 92-Tai-Shang-Tze-334 on January 23, 2003, referring the case back to Taiwan High Court, which vindicated Chairman Chang on January 7, 2004 per 92-Shang-Geng (Yi)-Tze-#105.

H. Acquisition and Disposal of Assets

1. Data on acquired major assets in the most recent one year up to the date of this report

In NT\$1,000(unless otherwise noted)

Buyer	Asset	Year/month acquired	Purchase price	Seller	Relationship	Use status
Advanced Semiconductor Engineering, Inc.	Stocks of ASE (Chung-Li) Inc.	2003.01	500,000		Invested company	Long-term equity investment
	Stocks of ASE Holding (Bermuda) Ltd.	2003.07	478,753		Invested company	Long-term equity investment
	Machinery/equipment for business operations	2003.03	300,177	INTERCON TOOLS, INC	None	Own use
	Machinery/equipment for business operations	2003.08	573,981	KULICKE & SOFFA Industrial Inc.	None	Own use
	Machinery/equipment for business operations	2004.03	1,086,804	KULICKE & SOFFA Industrial Inc.	None	Own use
ASE Material Inc.	Shinkong Taiwan Ji-Li Bond Fund	2002.01-2003.01	351,000	ShinKong Investment Trust Co., Ltd.	None	Short-term investment
ASE (Chung Li) Inc.	Prudential Well Pool Fund	2003.01-2003.12	462,000	Prudential Securities Trust Co.	None	Short-term investment
	NITC Bond Fund	2003.01-2003.12	410,000	National Investment Trust Co., Ltd.	None	Short-term investment
	Prudential Bond Fund	2003.01-2003.12	390,000	Prudential Securities Trust Co.	None	Short-term investment
J&R Industrial Inc.	Jih Sun Bond Fund	2003.01-2003.12	3,819,060	Jih Sun Securities Investment Trust Co.	None	Short-term investment
	TIIM Bond Fund	2003.01-2003.12	1,140,124	Taiwan International Investment Trust Co.	None	Short-term investment
	Sheng Hua 1699 Bond Fund	2003.01-2003.12	878,694	Sheng Hua Securities Investment Trust Co.	None	Short-term investment
	Union B. B. Bond Fund	2003.01-2003.12	641,718	Union Securities Investment Trust Co.	None	Short-term investment
	NITC Taiwan Bond Fund	2003.01-2003.12	604,454	National Investment Trust Co., Ltd.	None	Short-term investment
ASE Test, Inc.	Machinery/equipment for business operations	2003.01-2003.12	890,390	AGILENT TECHNOLOGIES SING	None	Own use

Buyer	Asset	Year/month acquired	Purchase price	Seller	Relationship	Use status
	Machinery/equipment for business operations	2003.01-2003.12	527,485	TERADYNE INC.	None	Own use
	Machinery/equipment for business operations	2003.01-2003.12	428,270	NPTEST TECHNOLOGIES PTE LTD	None	Own use
	Machinery/equipment for business operations	2003.01-2003.12	322,639	KANEMATSU CORPORATION	None	Own use
	Machinery/equipment for business operations	2003.01-2003.12	351,197	SPIROX CORPORATION	None	Own use
ASE Holding (Bermuda) Ltd.	ASE Investment (Labuan) Inc.	2003.07	US\$ 13,913,000		Invested company	Long-term equity investment

Note: Those who have acquired the fund may compile the information and may the disclosure in general.

2. Data on disposal of major assets in the most recent one year up to the date of this report

In NT\$1,000 (unless otherwise noted)

Seller	Asset	Year/month disposed	Non-amortized balance	Disposal price	Disposal gain/loss	Buyer	Relations
ASE Capital Inc.	Common stocks of ASE Inc.	2003.06	1,001,166	374,668	(626,498)	Disposed in the open market	Invested company
J&R Industrial Inc.	Jih Sun Bond Fund	2003.01-2003.12	2,900,188	2,915,560	15,372	Jih Sun Securities Investment Trust Co.	None
	TIIM Bond Fund	2003.01-2003.12	1,430,209	1,436,447	6,238	Taiwan International Investment Trust Co.	None
	Sheng Hua 1699 Bond Fund	2003.01-2003.12	706,007	710,694	4,686	Sheng Hua Securities Investment Trust Co.	None
	NITC Taiwan Bond Fund	2003.01-2003.12	675,830	679,454	3,625	National Investment Trust Co., Ltd.	None
	Union B. B. Bond Fund	2003.01-2003.12	509,092	511,718	2,626	Union Securities Investment Trust Co.	None
ASE Investment Inc	Common stocks of ASE Inc.	2003.06	1,983,409	2,475,856	492,447	Disposed in the open market	Invested company
ASE (Chung Li) Inc.	NITC Bond Fund	2003.01-2003.12	410,000	413,372	3,372	National Investment Trust Co., Ltd.	None

Seller	Asset	Year/month disposed	Non-amortized balance	Disposal price	Disposal gain/loss	Buyer	Relations
	Prudential Well Pool Fund	2003.01-2003.12	462,000	466,255	4,255	Prudential Securities Trust Co.	None
	Prudential Bond Fund	2003.01-2003.12	390,000	392,448	2,448	Prudential Securities Trust Co.	None
J&R Holding Ltd.	ASE Test Finance 1% Guaranteed Convertible Notes	2003.07	US\$ 50,000,000	US\$ 65,291,000	US\$ 15,291,000	ASE Test Finance	Invested company

Note: Those who have acquired the fund may compile the information and may the disclosure in general.

IV. Fund Utilization Plan

Until the previous quarter prior to the date of this report, plans already raised but not yet implemented are:

Issuance Plan	The Second Issue of ECB				
Issuance Amount	US\$20,000,000 (converted into NT\$6,880,000,000)				
For	To repay bank loans				
Implementation status up to the date of this report	Implementation Status				
			2003 (4Q)	2004 (1Q)	Total
	Amount drawn	Est.	5,400,800	1,479,200	6,880,000
		Actual	5,400,800	1,479,200	6,880,000
	Implementation Progress	Est.	78.5%	21.5%	100%
Actual		78.5%	21.5%	100%	
Note: Implementation of this plan was completed on January 1, 2004.					
Date keyed in the Market Observation Post System	September 25, 2003				
Analysis of efficiency and financial structure	Issuance of the corporate bond is intended to repay the short-term bank loan that is about due. Apart from elevation of company mobility, quick ratio and long term capital/fixed assets ratio, the move could avert extra interest burden in case interest rate is raised when the economy rebounds. In addition, it also raises the agility of financial operation and enhance financial structure and, moreover, take control of long-term capital, beneficial to upgrade of future competitiveness, not to mention reduction of operation risk.				

V. Financial Information

A. Condensed Balance Sheet and Profit and Loss Statement in the Last Five Years

1. Condensed Balance Sheet

(In NT\$1,000)

Year		Financial data in the last five years (Note 1)				
Item		2003	2002	2001	2000	1999
Current assets		15,724,356	11,907,514	14,541,740	14,290,982	7,936,386
Fund and long-term investment		35,231,946	34,344,162	38,219,384	38,020,597	29,424,048
Fixed assets		22,866,828	20,888,848	18,058,451	17,714,958	12,552,594
Intangible assets		-	-	-	-	-
Other assets		2,760,994	1,440,314	837,011	699,608	542,691
Total assets		76,584,124	68,580,838	71,656,586	70,726,145	50,455,719
Current liabilities	Before distribution	10,287,608	11,704,753	12,727,781	11,906,614	6,257,380
	After distribution (Note 2)	10,287,608	11,715,033	12,727,781	12,020,214	6,409,249
Long-term disabilities		20,715,922	17,121,519	16,726,610	14,033,688	13,729,681
Other disabilities		457,992	323,900	255,874	1,116,629	411,622
Total liabilities	Before distribution	31,461,522	29,150,172	29,710,265	27,056,931	20,398,683
	After distribution (Note 2)	31,461,522	29,160,452	29,710,265	27,170,531	20,550,552
Capital stock		35,802,800	32,548,000	32,548,000	27,520,000	19,800,000
Capital surplus		4,046,774	6,925,527	6,851,514	7,270,825	683,674
Retained earnings	Before distribution	3,808,436	1,173,564	1,015,654	8,200,947	9,243,346
	After distribution (Note 2)	3,808,436	1,065,640	1,015,654	3,059,347	2,375,028
Unrealized loss from falling prices of equity investment		(68,833)	(423,620)	(442,246)	(546,829)	-
Cumulative translation adjustment		1,559,599	1,847,021	1,973,399	1,224,271	330,016
Net loss not listed under retirement fund cost		(16,137)	-	-	-	-
Total stockholder s' equity	Before distribution	45,122,602	39,430,666	41,946,321	43,669,214	30,057,036
	After distribution (Note 2)	45,122,602	39,420,386	41,946,321	43,555,614	29,905,167

Note 1: (1). All financial statements in the last five years have been audited by certified public accountant.

(2). No asset revaluation was carried out in the last five years.

Note 2: Up to the date of this report, general shareholders' meeting has not been held for 2004. Thus the amount after distribution temporarily uses the before-distribution figures.

2. Condensed Profit and Loss Statement

In NT\$1,000

Item	Year	Financial date in the last five years (Note 1)				
		2003	2002	2001	2000	1999
Sales		31,487,791	25,631,776	20,508,233	25,524,296	17,498,901
Gross profit		5,740,026	4,978,063	3,368,819	6,994,693	4,590,097
Operating Income		3,431,967	3,186,243	1,721,473	5,261,046	3,223,056
Non-operating income and profit		159,405	481,674	400,887	2,496,625	5,903,810
Non-operating expenses and loss		1,497,740	4,312,563	4,649,916	1,098,808	1,089,164
Profit (loss) before Tax		2,093,632	(636,814)	(2,527,556)	6,658,863	8,037,702
Extraordinary (loss) gain		-	(34,613)	(144,565)	-	-
Net income (loss)		2,742,796	129,035	(2,142,219)	5,837,149	7,794,666
Earnings (loss) per share (\$/share) (after retroactive adjustment)						
Basic earnings (loss) per share		0.78	0.04	(0.60)	1.67	2.26
Diluted earnings (loss) per share		0.78	0.04	(0.60)	1.64	2.23

Note 1: (1). All financial statements in the last five years have been audited by certified public accountant.

(2). No asset revaluation was carried out in the last five years.

(3). Amount of capitalized interest for each year is as follows:

(In NT\$)

2003	\$96,795,000
2002	\$114,707,000
2001	\$5,858,000
2000	\$106,184,000
1999	\$81,773,000

3. Audit opinions of CPA on financial statements in the last five years

Year	Name of accountant	Name of accountant	Audit opinion
1999	Charles Chen	Jun Kung	Unqualified
2000	Charles Chen	Jun Kung	Unqualified
2001	Charles Chen	Jun Kung	Unqualified
2002	Charles Chen	Jun Kung	Unqualified
2003	Michael K Tseng	Charles Chen	Unqualified

B. Financial Analysis in the Last Five Years

Item		Year	Analysis of financial ratios in the last five years				
		2003	2002	2001	1999	1998	
Financial structure (%)	debt-to-asset ratio	41.08	42.50	41.46	38.26	40.43	
	long-term funds to fixed assets ratio	287.92	270.73	324.91	325.73	348.83	
Debt paying ability (%)	Current ratio (%)	152.85	101.73	114.25	120.03	126.83	
	Quick ratio (%)	121.55	80.51	86.26	98.16	100.95	
	Time interest earned (times)	4.22	0.35	(1.05)	7.25	12.66	
Operating ability	Receivable turnover (times)	4.84	5.05	4.31	5.78	5.22	
	Days of cash collection of accounts receivable (days)	75	72	85	63	70	
	Stock turnover (times)	12.02	12.97	10.36	12.40	12.15	
	Payable turnover (times)	6.73	7.47	7.07	8.55	7.80	
	Average days of sales (days)	30	28	35	29	30	
	Fixed assets turnover (times)	1.38	1.23	1.14	1.44	1.39	
	Total fixed assets turnover (times)	0.41	0.37	0.29	0.36	0.35	
Profitability	Return on assets (%)	4.45	1.23	(1.71)	10.95	19.26	
	Return on shareholder's equity(%)	6.49	0.32	(5.00)	15.83	30.02	
	% to paid-in capital (%)	Income from operations	9.59	9.79	5.29	19.12	16.28
		Income before tax	5.85	(1.96)	(7.77)	24.20	40.59
	Net profit rate (%)	8.71	0.50	(10.45)	22.87	44.54	
	Earnings(loss) per share (\$/share) (after retroactive adjustment)	Basic	0.78	0.04	(0.60)	1.67	2.26
		Diluted	0.78	0.04	(0.60)	1.64	2.23
Cash flows(%)	Cash flow ratio (%)	53.93	52.80	39.45	67.06	61.62	
	Cash flow proper ratio (%)	69.12	71.64	63.43	104.16	92.21	
	Cash reinvestment ratio(%)	6.63	8.72	7.20	12.24	7.94	
Leverage	Operating leverage	3.32	3.23	4.79	2.17	2.59	
	Financial leverage	1.23	1.44	3.52	1.25	1.27	

Note 1: All financial statements in the last five years have been audited by certified public accountant.

Note 2: The formula used to figure out the data above are as follows :

Computation formula:

1. Financial structure :

- a. Debt-to-assets ratio = total liabilities / total assets.
- b. Long-term funds to fixed assets ratio = (net shareholder's equity + long-term debt) / net fixed assets.

2. Debt paying ability :

- a. Current ratio = current assets / current liabilities.
- b. Quick ratio = (current assets - inventory - prepayments and other current assets) / current liabilities.
- c. Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability :

- a. Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue/ average balance of receivable of the period (including accounts receivable and business-related notes receivable).
- b. Average cash collection days = 365 / accounts receivable turnover ratio.
- c. Inventory turnover ratio = operating cost / average amount of inventory.
- d. Payable (including accounts payable and business-related notes payable) turnover ratio = costs of good sold / balance of payable of the period (including accounts payable and business-related note payable).
- e. Average days of sale = 365 / inventory turnover ratio.
- f. Fixed assets turnover ratio = net sales / net average fixed assets.
- g. Total assets turnover ratio = net sales / total average fixed assets.

4. Profitability :

- a. Rate of return to assets = [after-tax profit + interest cost (1-tax rate)] / average total assets.
- b. Rate of return to shareholder's equity = after-tax profit / net average shareholder's equity.
- c. Net profit margin = after-tax profit / net operating income.
- d. Earnings per share = (after-tax income - dividend to preferred stock) / weighted average of stock issued.(Note 3)

5. Cash flows :

- a. Cash flow ratio = net cash flows from operating activity / current liabilities.
- b. Cash flow adequacy ratio = net cash flows from operating activity in the past five years / (capital expense + increase in inventory + cash dividend) in the past five years.
- c. Cash reinvestment ratio = (net cash flows from operating activity - cash dividend) / (gross margin of fixed assets + long-term investment + other assets + operating funds). (Note 4)

6. Leverage :

- a. Operating leverage = (net operating revenue - change in operating cost and operating expenses) / operating income (Note 5).
- b. Financial leverage = operating income / (operating income - interest cost)

Note 3 : Computation of earnings per share :

1. Number of common shares is determined by weighted average, not on issued shares at year-end.
2. Weighted average of shares from capital increase in cash or treasury will be computed in consideration of their circulation period.
3. The annual and semiannual earnings per share for shares from earnings or capital surplus is adjusted retroactively based on increase proportion, while not considering the issuing time of the stock increase.
4. If the preferred stock is a non-convertible cumulative preferred stock, the dividend for the year in question (whether distributed or not) should be deducted from net profit after tax or the after-tax net loss should be increased. If the preferred stock is not of cumulative nature, and under the circumstances where there is net profit after tax, the dividend for the preferred stock should be deducted from the after-tax net profit; there is no need for any adjustment if there is loss.

Note 4 : Analysis of cash flows is given considerations to the following matters :

1. Net cash flows from operating activity refers to net cash inflow from operating activity stated in the Cash Flows Statement.
2. Capital expense refers to cash outflow from capital investment every year.
3. Increase in inventory is calculated only when the year-end balance is greater than beginning balance. If inventory decreases at year-end, zero is assigned.
4. Cash dividend includes the cash dividend for common stock and preferred stock.
5. Gross margin of fixed assets refers to total fixed assets before deducting accumulated depreciation.

Note 5: The Company assigns each item of operating cost and operating expenses as a fixed or current account. If the classification involves estimation or subjective judgment, reasonableness and consistency will prevail.

C. Supervisor's Report

March 25, 2004

To: 2004 General Shareholders' Meeting

We have examined the 2003 financial statements of the Company, including balance sheet, profit and loss statement, statement of changes in stockholder's equity, and statement of cash flows prepared by the Board of Directors and audited and certified by CPAs Michael K. Tseng and Charles Chen of Deloitte & Touche and did not find any discrepancy. We hereby prepare this report in accordance with provisions specified in Article 219 of the Company Law and submit it together with the report of the independent auditors for your review.

Advanced Semiconductor Engineering, Inc.

Supervisor : Feng Mei-Jean

John Ho

Raymond Lo

Alan Cheng

Tseng Yuan-Yi

D. Impact upon the Company's financial status caused by financial difficulties in the Company and its affiliates in the most recent year and up to the publication of this Annual Report, if any: None

E. Present the attainment of financial forecast in the last two years, explain reasons for the disparity between the original forecast, including date of each update, update amount and reasons for update, and the achieved target as well as fines levied by Taiwan Stock Exchange Co., Ltd., Greta Securities Market and Securities and Futures Commission (if yes, explain), if any: None

VI. Financial Analysis and Risk Management

A. Two-year comparison of financial status

In NT\$1,000

Item \ Year	December31, 2003	December31, 2002	Variation	
			Amount	%
Current assets	\$ 15,724,356	\$ 11,907,514	\$ 3,816,842	32
Fixed assets	22,866,828	20,888,848	1,977,980	9
Other assets	2,760,994	1,440,314	1,320,680	92
Total assets	76,584,124	68,580,838	8,003,286	12
Current liabilities	10,287,608	11,704,753	(1,417,145)	(12)
Long-term debt	20,715,922	17,121,519	3,594,403	21
Total liabilities	31,461,522	29,150,172	2,311,350	8
Capital stock	35,802,800	32,548,000	3,254,800	10
Capital surplus	4,046,774	6,925,527	(2,878,753)	(42)
Retained earnings	3,808,436	1,173,564	2,634,872	225
Total stockholders' equity	45,122,602	39,430,666	5,691,936	14

Note1: Major items of change in assets, liabilities and stockholder's equity during recent two years:

- a. Increase in current assets primarily stems from additional purchase of 908,528,000 worth materials in responses to the economic rebound in the semiconductor industry. In addition, income from revenue growth results in an increase of account receivable (including interested parties) to the tune of 1,989,436,000.
- b. Increase in other assets primarily stems from the machinery/equipment leasing agreement the Company executed in 2003 with the supplier, which increased the deposit to supplier in the amount of 186,835,000 and the deferred income tax asset resultant from the 2003 leasing agreement.
- c. Increase in long-term liabilities was primarily attributable to the unsecured US\$200 million ECB issued in September 2003.
- d. Decrease in capital surplus primarily was due to the 3,157,156,000 capital increase from capital surplus in 2003.
- e. Increase in retained earnings was a result of the increased 2,742,796,000 in net profit in 2003 compared to the year before.

Note 2: Primary reason and effect of and future responsive plan to current liabilities in recent two years and the long-term liabilities due within one year: The primary reason for the change is due to increase of repayment for the long-term debt due within one year. As a result, the amount of debt obligations has been reduced and that there is no special responsive plan.

B. Comparison of Two-year Operating Results

1. Table of comparison of two-year operating results

In NT\$1,000

	2003		2002		Increase (decrease) in Amount	Increase (decrease) (%)
	Sub-total	Total	Sub-total	Total		
Revenues	\$31,818,730		\$25,929,168		\$ 5,889,562	
Minus: sales return and discount	(330,939)		(297,392)		(33,547)	
Net sales		\$31,487,791		\$25,631,776	5,856,015	22.8
Operating cost		<u>25,747,765</u>		<u>20,653,713</u>	<u>5,094,052</u>	24.7
Gross profit		5,740,026		4,978,063	761,963	15.3
Operating expense		<u>2,308,059</u>		<u>1,791,820</u>	<u>516,239</u>	28.8
Operating income		3,431,967		3,186,243	245,724	7.7
Non-operating income and profit						
Interest income	47,670		268,148			
Other income	<u>111,735</u>	159,405	<u>221,358</u>	489,506	(330,101)	(67.4)
Non-operating expenses and losses						
Interest expense	650,447		977,629			
Investment loss as recognized by equity method	473,436		3,143,060			
Other losses	<u>373,857</u>	<u>1,497,740</u>	<u>191,874</u>	<u>4,312,563</u>	<u>(2,814,823)</u>	(65.3)
Pre-tax profit (loss)		2,093,632		(636,814)	(2,730,446)	428.8
Income tax benefit		649,164		800,462	(151,298)	(18.9)
Income (loss) before extraordinary items		2,742,796		163,648	2,579,148	1,576.0
Extraordinary loss		-		(34,613)	<u>34,613</u>	-
Net income (loss)		<u>\$ 2,742,796</u>		<u>\$ 129,035</u>	<u>\$ 2,613,761</u>	2,025.6

Analysis of changes:

Increase of operating cost as compared to the year before was primarily due to adjustment of payroll structure and raise in export commission.

As to decrease in non-operating income and profit as compared to the year before was primarily due to an interest income of 248,620,000 for interest rate swap and investment in foreign mutual funds in the previous year. Non-operating expenses and losses were less than the year before because loss at spinoff businesses was significantly reduced. As a result, investment loss, by equity method, was 2,669,624,000 than the year before.

Extraordinary loss was the result of premature buyback of ECB, thus generating the pre-mature buyback loss.

2. Analysis of operating margin variable: N/A

C. Cash Flow Analysis

1. Analysis of liquidity in the last two years

Item	Year		Increase (decrease) (%)
	2003	2002	
Cash flow ratio (%)	53.93	52.80	2
Cash flow adequacy ratio (%)	69.12	71.64	(4)
Cash reinvestment ratio (%)	6.63	8.72	(24)
Decrease in cash reinvestment ratio was primarily due to less cash flow in operating activities compared to the year before added by capital outlay that outspent the previous year.			

2. Analysis of cash flow in the next year

In NT\$1,000

Cash balance beginning of year (1)	Projected net cash flow from operating activities (2)	Projected net cash outflow for the whole year (3)	Projected cash surplus (deficit) (1)+(2)-(3)	Remedy for projected cash deficit	
				Investing plan	Finance plan
\$4,839,182	\$11,420,798	\$24,435,395	(\$8,175,415)	\$	\$19,281,000
1. Analysis of cash flow change: <ul style="list-style-type: none"> a. Operating activities: Primarily due to estimated increase in 2004 operating net profit and change in other operating asset liabilities. b. Investment activities: Primarily due to estimated purchase of fixed assets in 2004 and increase in long-term stockownership investment. c. Financing activities: Primarily due to repayment of bank loans due in 2004. 2. Estimated remedy for cash inadequacy and analysis of mobility: 3. Estimated cash inadequacy for 2004 shall be made up by fund raising and issuance of ECB.					

D. Effect of Major Capital Outlay in Recent Years on Company Finance

1. Major capital outlay and funding sources

Project	Actual or expected funding sources	Actual or expected completion date	Fund needed	Actual or planned utilization
				2004
Plant expansion	Bank loan and operating fund	Dec. 2004	1,971,580	1,971,580
Purchase of machinery / equipment	Issuance of ADR, bank loans and operating fund.	Dec. 2004	14,330,619	14,330,619

2. Expected benefits

a. Expected increase in sales volume, value and gross profit

Unit: 1,000 pieces/NT\$1,000

Year	Product	Output	Sales	Revenue	Gross profit
2004	Semiconductor manufacture and packaging	360,000	360,000	10,000,000	2,600,000

Note: The estimated benefits can probably be expected in 2004 on account of the capital outlay.

b. Other benefits (e.g. product quality, pollution control, cost reduction): None.

E. Investment Policy in Recent Years

Investment policy of the Company in recent years focuses on core business related investment and gives main consideration to building core competency. Each investment project is subjected to prudent evaluation before implementation. There were no occasions where investment in one project exceeded 5% of paid-in capital in 2003.

F. Risk Management

1. Effect of changes in interest rate and exchange rate, and inflation on company profit and future response measures:

The interest rate in 2002 continued the trend of slide in the year before. Before we see significant improvement of the economic fundamentals, the interest rate of NTD or foreign currencies will continue the downward trend. Such development is conducive to reducing the cost of funds in the money market. In view of the interest rate movement in the money market, the Company will take timely actions to hedge the risk of rebound in interest rate. As for exchange rates, both NTD and the JPY will fluctuate to a certain extent. Risk management will focus on the occurrence of major contingencies in the international market to lower the risks of market volatility. Thus the current strategy focuses on hedging the short-term cash flow, while long-term capital outlay or current risk positions follow the principle of natural hedging. The influence of inflation on company profit picture is not distinct. If change in inflation continues when the price of raw materials remains on the rise, it will affect negatively on the profitability of the Company. At present, the management is paying close attention to this situation and will take necessary measures in time of need.

2. Policies regarding high-risk and high-leverage investments, lending, endorsement/guarantee for others and trading of derivative products, major reasons for profit/loss and future response measures:

The company is not engaged in high-risk and high-leverage investment, nor has the Company ever loaned out its working capital to others. According to related rules and regulations set by the Securities and Futures Commission, the Company has already established an internal management measures and operating procedures on the basis of sound finance and operation, including Operating Procedure for Loans to Others, Handling Procedures for Acquisition and Disposal of Assets, and Operating Procedures for Endorsement and Guarantee. With respect to the endorsement and guarantee policy, prior evaluation must be made to determine the necessity and rationality, which will serve as the basis for implementation. Trading of derivative products is carried out for hedging purpose

in view of the position in the underlying, where financial risk management is effected by taking timely and proper hedging actions after natural hedging.

3. R&D projects in recent years, current progress of ongoing R&D projects, additional expenditure required, expected time for mass production, and major factors for the success of R&D.

a. 2003 R&D plan

- Lead free Flip Chip Package
- Wafer level CMOS image sensor
- Clear compound molded IC package
- MEMS-based Micro display

b. Progress of ongoing R&D projects not completed in 2003 (In NT\$1000)

Project	Item	Current Progress	Additional fund required	Expected time of mass production
Leadfree Flip Chip Package		Reliability Test for 80% of the product is on going	NT\$ 5,000	Q3 2004
Wafer level CMOS image sensor		Key manufacturing process established	NT\$25,000	Q4 2004
Clear compound molded IC package		Mass production line established	NT\$10,000	Q2 2004
MEMS-based Micro display		Mass production line established	NT\$16,000	Q3 2004

c. Future research plan

- Green Flip Chip Package
- Flip Chip QFN Package (QFN: Quad Flat No Lead)
- Wafer level hermetic packaging technology

d. Major factors for the success of future R&D

- Well established R&D project management system.
- Full grasp of market supply and demand.
- Effective control of timetable and personnel.
- Customer-oriented organizational design and internal operation mechanism.
- Enhancement of personnel cultivation and internal incentive mechanism.
- Implementation and enhancement of knowledge management system.

4. Effect of major policy and regulatory changes in the domestic and foreign markets in recent years on company finance and response measures taken:

- a. The Company has staff assigned to watch constantly for major policy and regulatory changes in the domestic and foreign markets and consult, if necessary, the opinions of

legal and accounting experts, ask for their suggestions, and plan response measures.

- b. In recent years, there are no major policy or regulatory changes in the domestic or foreign markets that have material effect on company finance.
 - c. In addition, our ADR is listed in the NYSE and, in compliance with the Sarbanes-Oxley Act and related regulations as required by the US SEC, the Company has taken cooperation measures to meet the requirements. Also, we will watch closely development of related laws and regulations so that we may prepare response measures at an early date.
5. Effect of technological changes in recent years on company finance and response measures taken:
Uncertainty and non-consistency are indeed a big challenge the semiconductor industry has faced. In this regard, ASE Inc. has been through close interactivity with our customers to fully grab customer's needs and change. We have strengthened our efforts in collection and analysis of market information so as to reduce the impact upon us by technological evolvement.
6. Effect of changes in corporate image in recent years on risk management and response measures
Operating as a honest, law-abiding and responsible corporate citizen, the Company has always had good corporate image and is free of event that changes our corporate image.

G. Other Important Events: None.

VII. Status of Corporate Governance

Operation Status of Listed Companies and Companies Traded on OTC and the Difference in Corporate Governance Guidance and Why

Item	Operation Status	Difference in Corporate Governance Guidance and Why
<p>1. Company stock ownership structure and stockholders' equity</p> <p>a. Manner in which the company handles suggestions by shareholders or disputes</p> <p>b. How the company controls the list of major shareholders who actually control the company and the list of those who control the said major shareholders.</p> <p>c. The manner in which the company establishes risk control mechanism in relation to affiliated companies as well as firewall.</p>	<p>The company has full-time staff in charge of matters related to stock affairs.</p> <p>Each month directors and supervisors and shareholders with 10% plus holdings file holding update report so that we are in a position to control the list of shareholders that actually control the company and, through close contact with major holders, the company understand who controls the said major shareholders.</p> <p>By internal control system and establishment and implementation of related measures. In addition, audit unit conducts regular oversight of the implementation status.</p>	<p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p> <p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p> <p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p>
<p>2. Formation and responsibility of the board</p> <p>a. The company has independent director</p> <p>b. If Regular evaluation of CPA's independence has been in progress</p>	<p>The company has no independent directors at this point in time.</p> <p>The company conducts regular evaluation of CPA's independence. At present, company directors and supervisors and the CPAs are not interested parties and that their independence is beyond reproach.</p>	<p>Currently under evaluation and planning.</p> <p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p>
<p>3. Formation and responsibility of supervisors</p>		

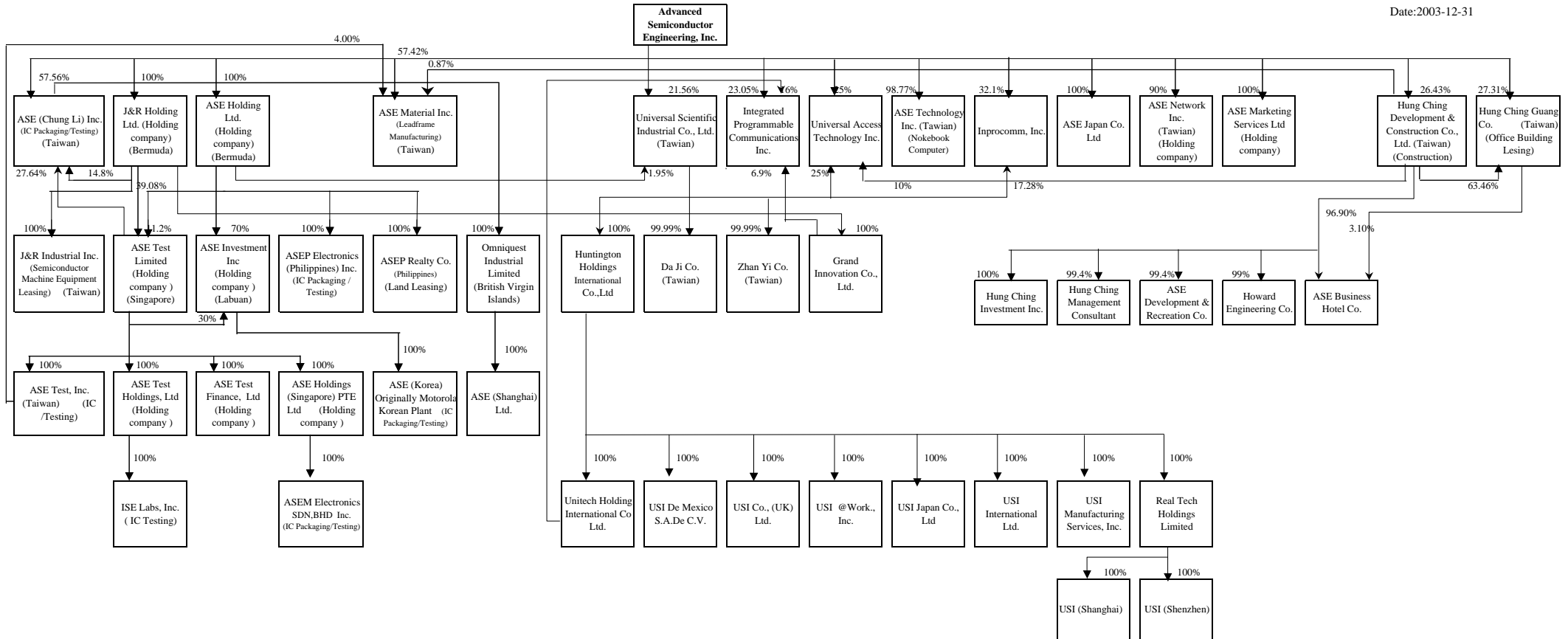
Item	Operation Status	Difference in Corporate Governance Guidance and Why
<p>a. If the company has established the post of independent supervisor</p> <p>b. How the supervisor communicate with company employees and shareholders</p>	<p>The company has no independent supervisors at present.</p> <p>Currently company employees and shareholders all communicate directly with the company.</p>	<p>Currently under evaluation and planning.</p> <p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p>
<p>4. If communication channel between the interested parties has been established</p>	<p>The company requires concerned units to handle full-time dialogue matters concerning interested parties among creditors, customers, and suppliers. As to employees, their union conducts regular meetings with the company for communication.</p>	<p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p>
<p>5. Open information</p> <p>a. The company has website, disclosing information on financial business and corporate governance</p> <p>b. The company uses other method to disclose information such as buildup of an English website, appointment of full-time employee in charge of collection and disclosure of company information to implement the spokesperson system and place the presentation process before institutional investors on the website.</p>	<p>The company has built up an English website and related departments have been instructed to disclose company financial status regularly and irregularly on the website http://www.aseglobal.com</p> <p>The company has assigned full-time staff to report various company financial matters, business matters and related major events regularly and irregularly on the Market Observation Post System.</p> <p>The company has established spokesperson and acting spokesperson system, holding irregular presentation for institutional investors. Information related to the presentation is posted on the company website.</p>	<p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p> <p>No major difference with the practical guidance for corporate governance of listed companies and companies traded on OTC.</p>
<p>6. Operation of functional committees such as review committee the company establishes.</p>	<p>At present, the company has no review committee set up.</p>	<p>Currently under evaluation.</p>
<p>7. If the company has established practical corporate governance guidance in accordance with the Practical Guidance for Corporate Governance for Listed Companies and Companies Traded on OTC, please describe the difference in operation in comparison to the company-established practical corporate governance guidance:</p> <p>At present, the company is in the process of implementing related operation in accordance with related laws and regulations. In future, the</p>		

Item	Operation Status	Difference in Corporate Governance Guidance and Why
	company will take into consideration actual operation status and internal and external environment for assessment and basis for setting up the	本 practical corporate governance guidance.
8.	Other major information that may help understand the operation status of corporate governance. They are: further studies by directors and supervisors; attendance to board meeting by directors and supervisors; risk management policy; implementation of risk measurement standards; implementation status of consumer or customer protection; implementation status of conflict of interests by concerned directors; and company-bought liability insurance policy for directors and supervisors.	<ul style="list-style-type: none"> a. Further studies by directors and supervisors: Directors and supervisors of the company pursue their further studies according to the individual needs. b. Attendance to board by directors and supervisors: In principle, directors of the company all attend to the board meeting, except away from home. Each board meeting, supervisors are notified in advance and, depending on the situation, supervisors will be present at the meeting. c. Implementation status of conflict of interests: With respect to proposals that involve conflict of interests, concerned parties of the company observe strictly the principle concerning conflict of interests. d. Liability insurance policy bought for company's directors and supervisors: This has been done. <p>Note 1: For the status of further studies by directors and supervisors, please refer to the Reference Standards of Further Studies for Directors and Supervisors of Listed Companies and Companies Traded on OTC announced by Taiwan Stock Exchange Co., Ltd.</p> <p>Note 2: If the respondent is securities dealer, investment and trust consultant and futures dealer, please describe the implementation status of risk management policy, risk measurement standards, and consumer or customer protection.</p>

VIII. Special Information

A. Affiliated Businesses

1. Organization Chart of ASE Group



2. Basic data of affiliates

Name	Date of Establishment (mo/yr)	Address	Paid-in capital	Major businesses
ASE Inc.	03/84	26 Chin 3rd Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	NT\$35,802,800,000	Manufacture, assembly, processing, testing and sales of ICs
ASE Marketing Services Ltd.	02/91	Hong Kong	NT\$16,985,000 (USD\$500,000)	Forwarding orders from overseas bases and customer service
J&R Holding Ltd.(Bermuda)	12/95	Bermuda	NT\$408,000 (USD\$12,000)	Specialty investment
J&R Industrial Inc.	04/99	F4, 31 Chin 3rd Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	NT\$4,653,000,000	Manufacture and processing of IC package and leadframe, leasing of equipment for production of leadframe and package testing
ASE Network Inc.	02/00	F19, 333 Keelung Road, Section 1, Taipei, Taiwan	NT\$1,500,000,000	Specialty investment
ASE Holding Ltd. (Bermuda)	04/90	Bermuda	NT\$7,412,363,000 (USD\$218,203,000)	Specialty investment
ASE Investment (Labuan) Inc.	06/99	Lot 2 & 3, Level 3, Wisma Lazenda, Jalan Kemajuan, 87000 Labuan, F.T. Labuan, Malaysia	NT\$3,925,946,000 (USD\$115,571,000)	Specialty investment
Omniquest Industrial Limited	09/00	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	NT\$604,666,000 (USD\$17,800,000)	Specialty investment
ASE (Shanghai) Ltd.	(Note)	Lot A6-2, Zhang Jiang Technology Park, Shanghai	NT\$604,666,000 (USD\$17,800,000)	Manufacturing of light emitting diode, and diode and production and marketing of PCB
ASE Material Inc.	12/97	73 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	NT\$2,500,000,000	Manufacture, processing and testing of IC leadframe
ASE (Chung Li) Inc.	04/99	550, Chungwa Rd., Sec. 1, Chungli, Taoyuan County	NT\$6,350,000,000	Manufacture of electronic component and mechanical equipment
Universal Access Technology Inc.	09/00	F10, 420 Keelung Rd., Sec. 1, Taipei City	NT\$150,000,000	Product design, information service, leasing, and wholesale/retail of communications, information and electronic products
ASE Technology Inc.	06/91	17-4 Kai Fa Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	NT\$200,000,000	Research, manufacture and marketing of IT products and periphery equipment
ASE Holding Electronics (Philippines)	11/95	Lot 3,4& 5, Block 7, First Cavite Industrial Estate, Bo. Langkaan, Dasmariñas, Cavite 4114	NT\$1,941,066,000 (Peso\$2,423,733,000)	Manufacture, assembly, processing, testing and sales of semiconductors
ASEP Realty Co. (Philippines)	10/95	Lot 3,4& 5, Block 7, First Cavite Industrial Estate, Bo. Langkaan, Dasmariñas, Cavite 4114	NT\$7,744,000 (Peso\$6,000,000)	Real estate investment, sales and leasing
ASE Test Ltd. (Singapore)	12/95	36 Robinson Road. #18-01, City House, Singapore	NT\$845,396,000 (USD\$24,887,000)	Specialty investment
ASE Test, Inc.	12/87	10 Shi 5th Rd., N.E.P.Z., Nantz, Kaohsiung, Taiwan	NT\$3,010,000,000	Testing service for semiconductor products
ASE Test Holdings, Ltd.	04/99	Ugland House, P.O. Box 309, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.	NT\$170 (USD\$ 5)	Specialty investment
ASE Holdings (Singapore) Pte Ltd.	12/94	10, Hoe Chiang Road, #17-02 Keppel Towers, Singapore	NT\$1,429,149,000 (SGD\$71,429,000)	Specialty investment
ASE Test Finance, Ltd.	06/99	608 St. James Court, St. Denis Street, Port Louis, Mauritius	NT\$68 (USD\$2)	Specialty finance
ASE (Korea) Inc.	03/67	494,Munbal-Ri,Kyoha,Paju-Si,Kyunggi-Do,Korea	NT\$1,290,061,000 (USD\$37,976,000)	IC testing and packaging
ASE Electronics (M) Sdn. Bhd.	02/91	Plot 20, Phase IV, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Penang	NT\$2,114,978,000 (UD\$62,260,000)	Manufacture, assembly, processing, testing and sales of ICs
ISE Labs,Inc.	11/83	3600 Peterson Way, Santa Clara,	NT\$892,000	Testing of semiconductor

Name	Date of Establishment (mo/yr)	Address	Paid-in capital	Major businesses
		California, U.S.A	(USD\$26,000)	products
Inprocomm Inc.	06/02	9-3F, 93, Shui-yuan St., Hsinchu City	NT\$162,000,000	Engaged in the business of information storage processing equipment, wireless and cable communication mechanical equipment, electronic components, condenser, and general instrument manufacturing.
Integrated Programmable Communications Inc.	07/00	777 San Antonic Road, No90 Palo Alto, CA 94303	NT\$589,000 (including capital of common stocks USD\$3,000 and capital of convertible preferred shares US\$14,000)	Development of products wireless communication sector
Grand Innovation Co., Ltd.	02/01	Beaufort House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	NT\$40,764,000 (USD\$1,200,000)	Specialty investment
ASE Japan Co., Ltd.	11/03	Sumitomo Fudosan Shinyokohama Bldg., 10F, 2-5-5, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa, Japan 222-0033	NT\$19,074,000 (¥ 60,000,000)	Engaged in the business of marketing and customer service.
Universal Scientific Industrial Co., Ltd.	02/74	#141, Lane 351, Sec. 1, Taiping Rd., Tsaotun, Nantou County	NT\$6,885,000,000	Manufacture, processing and sales of computer and information peripheral, thick-film hybrid circuit, electronic components, personal computer and parts
Zhan Yi Co.	10/96	#141, Lane 351, Sec. 1, Taiping Rd., Tsaotun, Nantou County	NT\$436,000,000	Specialty investment
Da Ji Co.	12/98	#141, Lane 351, Sec. 1, Taiping Rd., Tsaotun, Nantou County	NT\$50,000,000	Specialty investment
HHI Co.	10/96	P.O.Box 3321 Road Town, Tortola BVI	NT\$3,581,525,000 (US\$105,432,000)	Holding company
Universal Scientific Industrial (Mexico)	09/97	Av. R. Flores Magon No. 656 Col Residencial Sta Isabel C.P. 44290 Guadalajara, Jal.	NT\$1,819,054,000 (PESO\$601,082,000)	Assembly of mother board and computer system
Universal Scientific Industrial (UK)	04/98	Steadman Place Riverside Business Park Irvine, Ayrshire Scotland UK KALL 5DN	NT\$1,536,893,000 (£ 25,420,000)	Assembly of computer system
Universal Scientific Industrial (Japan)	03/00	12F East Tower, Yokohama Business Park, 134 Godo-cho, Hodogaya-ku, Yokohama-shi, Kanagawa 240-0005	NT\$101,696,000 (¥ 320,000,000)	Manufacturing, buying and selling of periphery equipment for comuter information, IC,
RTH Co.	03/00	TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	NT\$1,083,677,000 (US\$31,901,000)	Holding company
USI (Shenzhen)	06/00	F1, 4 & 5, Building H1, Overseas Chinese Cheng Dong Industrial Zone, Nanshan District, Shenzhen, China	NT\$883,220,000 (US\$26,000,000)	Design, manufacture and sales of computer motherboard, other computer peripherals and communication control products
USI (Shanghai)	01/03	300 Long Dong Boulevard, Integrated Circuit Industrial Zone, Zhang Jiang Technology Park, Shanghai	NT\$197,026,000 (US\$5,800,000)	Providing design and manufacturing services for electronic products, production of new electronic components, higher-performance motherboard for calculator, wireless network communication components, sales of own products and providing related technical consultation service
UI Co.	02/00	6F, United Chinese Bank Building, 31-37 Des Voeux Road Central, Hong Kong	NT\$3,431,000 (US\$101,000)	Sales of mother board and related omputer peripherals
USI-CA Co.	10 /00	685A Jarvis Drive Morgan Hill, CA	NT\$322,715,000	Sample production and

Name	Date of Establishment (mo/yr)	Address	Paid-in capital	Major businesses
		95037	(US\$9,500,000)	service for computer and information equipment
<u>USI@Work</u>	02/01	1320 S.E.Maynard Road, Suite 103 Cary, NC 27511	NT\$5,096,000 (US\$150,000)	Overseas after-sale service
UHI Co.	04/97	P.O.Box 3321 Road Town Tortola BVI	NT\$260,822,000 (US\$7,678,000)	Holding company
Hung Ching Development & Construction Co. Ltd.	12/86	F10, 420 Keelung Rd., Sec. 1, Taipei	NT\$4,758,090,000	Contracting builders to construct public housing, leasing of commercial buildings, import/export of building materials, real estate brokerage, interior design and decoration
Hung Ching Investment Inc.	11/97	F10, 420 Keelung Rd., Sec. 1, Taipei	NT\$250,000,000	Investment
Howard Engineering Co.	05/67	F3-2, 420 Keelung Rd., Sec. 1, Taipei	NT\$117,200,000	Construction contractor
Hung Ching Guang Co.	06/92	F10, 420 Keelung Rd., Sec. 1, Taipei	NT\$1,430,000,000	Leasing of extra space and office building
Hung Ching Management Consultant	.09/92	F10, 420 Keelung Rd., Sec. 1, Taipei	NT\$1,000,000	Building cleaning, maintenance and management
ASE Business Hotel Co.	01/99	3, Fu-chun St., Hsinchu City	NT\$195,000,000	Business suites
ASE Development & Recreation Co.	04/99	F10, 420 Keelung Rd., Sec. 1, Taipei	NT\$10,000,000	Theme park and leisure establishments

Note:ASE (Hang Zhou) Inc. was organized in July 2001, which was renamed ASE (Shanghai) Ltd. in September 2002 with the approval of competent authority for change of company location.

3. Data on same shareholders of affiliates with controlling and subordinate relationship: NA.

4. Businesses of affiliates:

- a. As a whole, businesses of the company and its affiliates cover electronic manufacturing, electronic service, investment, leasing and construction.
- b. For a long time, ASE Group has been specialized in comprehensive semiconductor packaging and testing service for customers in the semiconductor industry. The service includes front-end testing of the chip, and back-end packaging material and performance testing. In addition, customers may obtain a comprehensive total solution of electronic manufacturing service through affiliate Universal Scientific Industrial Co., Ltd.
- c. On the whole, businesses the company and its affiliates engage are mutually correlative and the division of labor has been through interactive support of technology, production capacity, marketing and service. As such, we are able to develop the maximum competitiveness and create the maximum synergy to solidify our leading position in the industry.

5. Directors, supervisors and presidents of affiliates

Company name	Title	Name or representative	Shareholding	
			Shares	%
ASE Inc.	Chairman	Jason C. S. Chang	22,280,327	0.62%
	Vice Chairman and President	Richard H. P. Chang	40,899,973	1.14%
	Director	A.S.E. Enterprises Limited	691,235,417	19.31%
	Director (representative)	David Pan		
	Director (representative)	Chin Ko-Chien		
	Director (representative)	Joseph Tung		
	Director (representative)	Jeffrey Chen		
	Director (representative)	Tien Wu		
	Supervisor	Feng Mei-Jean	63,383,829	1.77%
	Supervisor	A.S.E. Enterprises Limited	691,235,417	19.31%
	Supervisor (representative)	Raymond Lo		
Supervisor (representative)	John Ho			

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Supervisor (representative) Supervisor (representative)	Alan Cheng Tseng Yuan-Yi		
ASE Marketing Services Ltd.	Director Director (representative) Director (representative) Director (representative)	ASE Inc. Jason C. S. Chang Richard H. P. Chang Joseph Tung	499,999	100%
J&R Holding Ltd.(Bermuda)	Director Director (representative) Director (representative) Director (representative)	ASE Inc. Jason C. S. Chang Richard H. P. Chang Joseph Tung	12	100%
J&R Industrial Inc.	Director Director (representative) and Chairman Director (representative) Director (representative) Supervisor	J&R Holding Ltd.(Bermuda) Jason C. S. Chang Richard H. P. Chang Joseph Tung Feng Mei-Jean	465,300,000 1	100% 0.00%
ASE Network Inc.	Director Director (representative) and Chairman Director (representative) Director (representative) Director (representative) Director Director (representative) Supervisor Supervisor (representative)	ASE Inc. Jason C. S. Chang Richard H. P. Chang Joseph Tung Freddie Liu Accton Technology Corp. Huang An-Chieh ASE Inc. John Ho	134,999,995 15,000,000 134,999,995	90% 10% 90%
ASE Holding Ltd. (Bermuda)	Director Director (representative) Director (representative) Director (representative)	ASE Inc. Jason C. S. Chang Richard H. P. Chang Joseph Tung	198,203	100%
ASE Investment (Labuan) Inc.	Director Director (representative) Director Director Director (representative)	ASE Holding Ltd. (Bermuda) Joseph Tung Mathew-Willie ASE Test Ltd. (Singapore) Jeffrey Chen	80,879,714 34,691,271	69.98% 30.02%
Omniquest Industrial Limited	Director Director (representative) Director (representative) Director (representative)	ASE (Chung Li) Inc. Richard H. P. Chang Joseph Tung Jeffrey Chen	17,800,000	100%
ASE (Shanghai) Ltd.	Director Director (representative) and Chairman Director (representative) Director (representative)	Omniquest Industrial Limited Richard H. P. Chang John Ho Jeffrey Chen		100%
ASE Material Inc.	Director Director Director (representative) and Chairman Director (representative) and President Director Director (representative) Supervisor Supervisor (representative) Supervisor (representative)	Richard H. P. Chang ASE Inc. Chin Ko-Chien Lin Kuo-Kuang ASE Test, Inc. David Pan ASE Inc. Feng Mei-Jean Jeffrey Chen	14,524,368 143,547,583 10,000,000 143,547,583	5.81% 57.42% 4.00% 57.42%
ASE (Chung Li) Inc.	Chairman Director Director (representative) Director Director (representative) Director (representative) Director (representative)	Richard H. P. Chang ASE Test Limited (Singapore) Joseph Tung ASE Inc. Chin Ko-Chien Lee Shih-Sung David Pan	1 175,500,000 365,483,259	0% 27.64% 57.56%

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Supervisor	Feng Mei-Jean	1	0.00%
	President	Chen Tien-Tzu		
Universal Access Technology Inc.	Director	ASE Inc.	3,750,000	25%
	Director (representative) and Chairman	John Ho		
	Director (representative)	Jason C. S. Chang		
	Director (representative)	Leonard Liu		
	Director	Universal Scientific Industrial Co., Ltd.	3,750,000	25%
	Director (representative)	Chen Kuang-Chen		
	Director	Yeh Hsien-Chang	1,105,000	7.37%
	Director	Ti Chien-Hui	5,000	0.03%
	Supervisor	Hung Ching Development & Construction Co. Ltd.	1,500,000	10%
	Supervisor (representative)	Joseph Tung		
ASE Network Inc.	Chairman	Jason C. S. Chang	81,593	0.41%
	Director	Chou Chia-Pei	46	0.00%
	Director	ASE Inc.	19,753,830	98.77%
	Director (representative)	Joseph Tung		
	Supervisor	ASE Inc.	19,753,830	98.77%
	Supervisor (representative)	Chang Chin-Tao		
	President	Richard H. P. Chang	9,047	0.05%
ASE Holding Electronics (Philippines)	Chairman	Chang, Fu Sing	1	0.00%
	Director	Chiu, Tong Chin	1	0.00%
	Director	Wang, Yung Kang	1	0.00%
	Director	So, Stephen G	1	0.00%
	Director	Wu, Chung Ting	1	0.00%
ASEP Realty Co. (Philippines)	Chairman	So, Stephen G		
	Director	Chang, Fu Sing		
	Director	Wu, Chung Ting		
	Director	Benjamin M. Arias		
	Director	Zarate, Jonathan B.		
ASE Test Ltd. (Singapore)	Chairman	Richard H.P. Chang	1,046,276	1.05%
	Director	Leonard Y. Liu	40,000	0.04%
	Director	J&R Holding Ltd. (Bermuda)	38,902,740	39.08%
	Director (representative)	Jeffrey Chen		
	Director	ASE Holding Ltd. (Bermuda)	11,148,000	11.20%
	Director (representative)	Joseph Tung		
	Director	David Pan	4,700	0.00%
	Director	Albert C.S. Yu	45,176	0.05%
	Director	David D.H. Tsang		
	Director	Chin Ko-Chien	36,000	0.04%
	Director	Wang Yung-Kang	20,000	0.02%
	Director	Alan Tien-Cheng Cheng		
	Director	Sim Guan Seng		
	Director	Raymond Lo		
Director	Kanapathi A/L Kappusamy			
ASE Test, Inc.	Director	ASE Test Limited (Singapore)	300,955,033	99.99%
	Director (representative) and Chairman	Jason C. S. Chang		
	Director (representative)	Richard H. P. Chang		
	Director (representative)	Chin Ko-Chien		
	Director (representative)	Leonard Liu		
	Director (representative)	David Zhang		
	Director (representative)	David Pan		
	Director (representative)	Chang Yao, Hung-Ying		
	Director (representative)	Jeffrey Chen		
	Director (representative)	Alan Cheng		
	Director (representative) and President	Raymond Lo		
	Director (representative)	Hsu Ching-Ju		
	Supervisor	ASE Test Limited (Singapore)	300,955,033	99.99%
	Supervisor (representative)	Joseph Tung		

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Supervisor (representative)	Wang Yung-Kang		
	Supervisor (representative)	Yu Chien-Hsin		
ASE Test Holdings,Ltd.	Director	ASE Test Ltd. (Singapore)	5	100%
	Director (representative)	Jason C. S. Chang		
	Director (representative)	David Pan		
	Director (representative)	Joseph Tung		
	Director (representative)	Jeffrey Chen		
ASE Holdings (Singapore) Pte Ltd	Director	ASE Test Ltd. (Singapore)	71,428,902	100%
	Director (representative)	Hsiang De Way		
	Director (representative)	Kanapathi A/L Kuppusamy		
	Director (representative)	Jeswant Singh s/o Darshan Singh		
ASE Test Finance,Ltd.	Director	ASE Test Ltd. (Singapore)	2	100%
	Director (representative)	Joseph Tung		
	Director (representative)	David Hsiang		
	Director (representative)	Narghis Bundhun(Mrs)		
	Director (representative)	M.Aslam Koomar(Mr.)		
ASE (Korea) Inc.	Director	ASE Investment (Labuan)Inc.	7,613,363	100%
	Director (representative)	James D. Stilson		
	Director (representative)	Richard H. P. Chang		
	Director (representative)	David Pan		
	Director (representative)	Joseph Tung		
	Director (representative)	Cheng, Tien-Cheng		
	Director (representative)	Jason C. S. Chang		
ASE Electronics (M) Sdn,Bhd.	Director	ASE Holdings (Singapore) Pte Ltd.	159,715,000	100%
	Director (representative)	Richard H. P. Chang		
	Director (representative)	Mei-Jean Chang		
	Director (representative)	David Pan		
	Director (representative)	Joseph Tung		
	Director (representative)	David Hsiang		
	Director (representative)	Kanapathi A/L Kuppusamy		
ISE Labs,Inc.	Director	ASE Test Holdings,Ltd.	26,250,000	100%
	Director (representative)	Jason C. S. Chang		
	Director (representative)	David Pan		
	Director (representative)	Joseph Tung		
	Director (representative)	Jeffrey Chen		
Integrated Programmable Communications Inc.	Director	ASE Inc.	4,000,000	23.05%
	Director (representative)	Joseph Tung		
	Director	UHI Co.	2,800,000	16.14%
	Director (representative)	John Ho		
	Director and President	Kwang-Cheng Chen	2,400,000	13.83%
	Director	Ta-Sung Lee	300,000	1.73%
	Director	Frank Ys Lin	300,000	1.73%
	Director	GainTech Company Limited	2,400,000	13.83%
	Director (representative)	Ming-Kai Tsai		
	Director	Global Strategic Investment Inc.	1,200,000	6.92%
	Director (representative)	Beatrice Ku		
Inprocomm Inc.	Director	ASE Inc.	5,200,000	32.10%
	Director (representative)	John Ho		
	Director (representative)	Lin Yung-Sung		
	Director (representative)	Joseph Tung		
	Chairman	Chen Kuang-Chen	2,000	0.01%
	Director	Global Strategic Investment Inc.	1,400,000	8.64%
	Director (representative)	Ku Pei Hua		
	Director	Gaintech Co. Limited	2,400,000	14.81%
	Director (representative)	Tsai Ming Chieh		
	Director	Lee Ta Sung	2,000	0.01%
	Supervisor	ASE Inc.	5,200,000	32.10%
	Supervisor (representative)	Freddie Liu		

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Supervisor	Fan Jui Ying		
Grand Innovation Co., Ltd.	Director Director (representative)	J&R Holding Limited Joseph Tung	1,200,001	100%
ASE Japan Co., Ltd.	Director Director (representative) Director (representative) Director (representative) Supervisor Supervisor (representative)	ASE Inc. Tien Wu Sekka Mochizuki Hiroshi Munakata ASE Inc. Geofferey Wang	1,200 1,200	100% 100%
Universal Scientific Industrial Co., Ltd.	Director Director (representative) and Chairman Director (representative) and President Director (representative) Director (representative) Director (representative) Director (representative) Director Director (representative) Director Director Supervisor Supervisor (representative) Supervisor (representative) Supervisor Supervisor (representative)	ASE Inc. Richard H. P. Chang Wu Hui-Huang Jeffrey Chen Leonard Liu Feng Yuan Chuan John Ho China Development Industrial Bank, Inc. Chen Rui-Xun Liu Bi-Li Cui Yong ASE Inc. Joseph Tung Hsu Ching-Ju China Development Industrial Bank, Inc. Chang Fan-Yan	144,936,050 38,498,362 14,000 201,252 144,936,050 38,498,362	21.56% 5.73% 0.00% 0.03% 21.56% 5.73%
Zhan Yi Co.	Director Director (representative) and Chairman Director (representative) Director (representative) Supervisor Supervisor (representative)	Universal Scientific Industrial Co., Ltd. Wu Hui-Huang Wei Cheng-Yan John Ho Universal Scientific Industrial Co., Ltd. Su Ting-Hsing	43,599,994 43,599,994	99.99% 99.99%
Da Ji Co.	Director Director (representative) Director (representative) Director (representative) Supervisor Supervisor (representative)	Universal Scientific Industrial Co., Ltd. Wu Hui-Huang Wei Cheng-Yan John Ho Universal Scientific Industrial Co., Ltd. Su Ting-Hsing	4,999,994 4,999,994	99.99% 99.99%
HHI Co.	Director Director (representative) Director (representative) Director (representative)	Universal Scientific Industrial Co., Ltd. John Ho Wei Cheng-Yan Wu Hui-Huang	105,431,840	100%
Universal Scientific Industrial (Mexico)	Director Director (representative) Director (representative) Director (representative)	HHI Co. Wu Hui-Huang Wei Cheng-Yan Huang Chia-Hsing	601,082,435	100%
Universal Scientific Industrial (UK)	Director Director (representative) Director (representative)	HHI Co. John Ho Wei Cheng-Yan	25,419,968	100%
Universal Scientific Industrial (Japan)	Director	HHI Co.	6,400	100%

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Director (representative) Director (representative) Director (representative) Supervisor Supervisor (representative)	John Ho Wu Hui-Huang Wei Cheng-Yan HHI Co. Su Ting-Hsing	6,400	100%
RTH Co.	Director Director (representative) Director (representative)	HHI Co. Richard H. P. Chang John Ho	31,901,000	100%
USI (Shenzhen)	Director Director (representative) Director (representative) Director (representative) Director (representative)	RTH Co. Richard H. P. Chang John Ho Wu Hui-Huang Wei Cheng-Yan Su Ting-Hsing		100%
USI (Shanghai)	Director Director (representative) Director (representative) Director (representative)	RTH Co. Richard H. P. Chang Leonard Liu Wu Hui-Huang		100%
UI Co.	Director Director (representative) Director (representative) Director (representative)	HHI Co. John Ho Wu Hui-Huang Wei Cheng-Yan	101,100	100%
USI-CA Co.	Director Director (representative) Director (representative) Director (representative)	HHI Co. Wu Hui-Huang Su Ting-Hsing Wei Cheng-Yan	9,500,000	100%
USI@WORK	Director Director (representative) Director (representative)	HHI Co. Jeh Chang Lee Lihwa Christensen	150,000	100%
UHI Co.	Director Director (representative) Director (representative)	HHI Co. Huang Chia-Hsing John Ho	7,678,000	100%
Hung Ching Development & Construction Co. Ltd.	Chairman Director Director Director Director Director (representative) and President Director (representative) Director (representative) Supervisor Supervisor	Tseng Yuan-Yi Alan Cheng Wang Hsiang-Hao Chou Chia-Pei ASE Inc. Chian Wen-Hsiang Chiu Chin-Yi Yu Shu-Jun Wang Tu-Tsun Chou Tsao-Chang	30,000 243,764 10,000 117,832 119,408,060 2,399,396	0.01% 0.05% 0.00% 0.03% 26.42% 0.53%
Hung Ching Investment Inc	Director Director (representative) and Chairman Director (representative) Director (representative) Supervisor	Hung Ching Development & Construction Co. Ltd. Tseng Yuan-Yi Alan Cheng Chian Wen-Hsiang Feng Mei-Jean	24,999,400 100	100% 0.00%
Howard Engineering Co.	Director Chairman Director (representative) Director Director Supervisor	Hung Ching Development & Construction Co. Ltd. Tseng Yuan-Yi Alan Cheng Tseng Yu-Hua Chian Wen-Hsiang Chou Chia-Pei Wang Hsiang-Hao	116,128 432 10	99.09% 0.37% 0.01%
Hung Ching Guang Co.	Director Director (representative) and	Hung Ching Development & Construction Co. Ltd. Tseng Yuan-Yi	90,743,500	63.46%

Company name	Title	Name or representative	Shareholding	
			Shares	%
	Chairman Director (representative) Director (representative) Supervisor	Alan Cheng Chian Wen-Hsiang Feng Mei-Jean	13,209,000	9.24%
Hung Ching Management Consultant	Director Director (representative) and Chairman Director Director Supervisor	Hung Ching Development & Construction Co. Ltd. Wang Hsiang-Hao Feng Mei-Jean Wang Wen-Wei Chen Yun-Shian	99,400 100 100 100	99.40% 0.10% 0.10% 0.10%
ASE Business Hotel Co.	Director Director (representative) and Chairman Director (representative) Director (representative) Director (representative) Supervisor Supervisor (representative)	Hung Ching Development & Construction Co. Ltd. Tseng Yuan-Yi Chian Wen-Hsiang Alan Cheng Wang Hsiang-Hao Pi Nai-Cheng Hung Ching Development & Construction Co. Ltd. Chou Chia-Pei	18,895,000 18,895,000	96.90% 96.90%
ASE Development & Recreation Co.	Chairman Director Director (representative) Director Supervisor	Cheng Shih-Hao Hung Ching Development & Construction Co. Ltd. Alan Cheng Shiang Ti-Hao Chian Wen-Hsiang	1,000 994,000 1,000 1,000	0.10% 99.40% 0.10% 0.10%

6. Operational status of affiliates

(In NT\$1,000, except earnings per share in NT\$)

Name of affiliate	Capital	Assets	Liabilities	Net value	Revenues	Net profit	Income (loss) this year (after tax)	EPS(after tax)
ASE Inc.	35,802,800	76,584,124	31,461,522	45,122,602	31,487,791	3,431,967	2,742,795	0.78
ASE Marketing Services Ltd.	16,985	959	0	959	-	(775)	(775)	(1.55)
J&R Holding Ltd.(Bermuda)	408	17,194,544	576	17,193,968	-	(34,173)	400,194	33,349,500
J&R Industrial Inc.	4,653,000	5,525,137	416,286	5,108,852	132,456	(6,237)	113,474	0.24
ASE Network Inc.	1,500,000	1,544,782	1,647	1,543,135	0	(252)	27,053	0.18
ASE Holding Ltd. (Bermuda)	7,412,363	6,207,000	1,096	6,205,903	0	(17,226)	(219,367)	(1,005.33)
ASE Investment (Labuan) Inc.	3,925,946	5,399,586	2,211,498	3,188,088	0	(266)	311,735	2.70
Omniquest Industrial Limited	604,666	547,245	0	547,245	0	(43)	(59,537)	(3.34)
ASE (Shanghai) Ltd.	604,666	1,593,431	1,050,853	542,578	0	(62,567)	(61,419)	NA
ASE Material Inc.	2,500,000	9,303,051	7,455,288	1,847,763	5,225,067	102,943	168,337	0.67
ASE (Chung Li) Inc.	6,350,000	13,466,123	4,609,487	8,856,636	6,018,146	217,025	182,837	0.29
Universal Access Technology Inc.	150,000	52,565	0	52,565	9,417	(5,286)	9,438	0.63
ASE Technology Inc.	200,000	54,913	111,188	(56,275)	0	0	(107,563)	(5.38)
ASE Holding Electronics (Philippines)	1,941,066	753,354	538,942	214,412	197,057	(124,543)	(226,163)	(93.31)
ASEP Realty Co. (Philippines)	7,744	36,643	31,912	4,731	0	0	55	2.75
ASE Test Ltd. (Singapore)	845,396	25,713,412	7,166,241	18,547,170	0	(50,983)	(132,963)	(1.34)
ASE Test, Inc.	3,010,000	16,525,200	5,713,643	10,811,556	6,696,202	1,061,252	1,191,337	3.96
ASE Test Holdings, Ltd.	0 (Note 1)	3,741,708	0	3,741,708	0	0	(883,439)	(176,687,755)

Name of affiliate	Capital	Assets	Liabilities	Net value	Revenues	Net profit	Income (loss) this year (after tax)	EPS(after tax)
ASE Holdings (Singapore) Pte Ltd.	1,429,149	1,443,933	1,759	1,442,174	0	(247)	(247)	(0.00)
ASE Test Finance,Ltd.	0 (Note 2)	5,105,943	7,179,527	(2,073,584)	0	(18,131)	(481,191)	(240,595,531)
ASE (Korea) Inc.	1,290,061	9,345,298	4,119,403	5,225,895	6,210,557	440,489	315,507	41.44
ASE Electronics (M) Sdn,Bhd.	2,114,978	6,884,801	1,580,035	5,304,767	5,445,841	(47,511)	(65,021)	(0.41)
ISE Labs,Inc.	892	3,015,927	1,440,018	1,575,910	1,307,494	(564,379)	(535,810)	(20.41)
Inprocomm Inc.	162,000	117,747	93,828	23,919	30,214	(119,095)	(137,534)	(8.49)
Integrated Programmable Communications Inc.	589	184,606	8,982	175,624	0	(154,489)	(105,849)	(6.10)
Grand Innovation Co., Ltd.	40,764	12,423	619	11,804	-	-	(7,729)	(6.44)
ASE Japan Co., Ltd.	19,074	19,079	5	19,074	-	-	-	-
Universal Scientific Industrial Co., Ltd.	6,885,000	20,594,409	11,590,122	9,004,287	34,814,237	64,391	776,285	1.13
Zhan Yi Co.	436,000	226,913	3,849	223,064	1	(388)	62	0.001
Da Ji Co.	50,000	30,081	134	29,947	818	751	638	0.13
HHI Co.	3,581,525	3,919,502	1,562	3,917,940	1,617	(9,941)	818,087	7.76
Universal Scientific Industrial (Mexico)	1,819,054	1,853,950	649,455	1,204,495	4,749,294	169,051	125,326	0.21
Universal Scientific Industrial (UK)	1,536,893	219,347	64,689	154,658	187,387	63,581	92,967	3.66
Universal Scientific Industrial (Japan)	101,696	1,561,912	1,460,053	101,859	6,375,204	93,834	90,338	14,115.31
RTH Co.	1,083,677	1,292,335	64	1,292,271	0	(178)	186,971	5.86
USI (Shenzhen)	883,220	4,017,348	2,898,206	1,119,142	13,352,234	251,027	213,772	NA
USI (Shanghai)	197,026	423,507	253,226	170,281	0	(26,775)	(26,613)	NA
UI Co.	3,431	2,801,488	2,002,475	799,013	17,151,003	263,570	263,655	2,607.86
USI-CA Co.	322,715	110,068	7,166	102,902	182,823	9,433	9,556	1.01
USI@Work	5,096	14,046	4,343	9,703	48,654	3,286	1,469	9.79
UHI Co.	260,822	132,471	35	132,436	54,291	54,014	34,957	4.55
Hung Ching Development & Construction Co. Ltd.	4,758,090	7,585,655	3,132,774	4,452,881	795,357	(415,951)	(483,811)	(1.07)
Hung Ching Investment Inc	250,000	68,282	69	68,213	31,408	29,397	29,397	1.18
Howard Engineering Co.	117,200	342,720	184,743	157,977	4,701	(29,434)	(6,341)	(54.2)
Hung Ching Guang Co.	1,430,000	1,863,606	376,493	1,487,113	150,381	21,600	5,922	0.04
Hung Ching Management Consultant	1,000	7,142	9,935	(2,793)	-	-	2	0.02
ASE Business Hotel Co.	195,000	163,959	155,568	8,391	96,312	(67,734)	(67,805)	(3.48)
ASE Development & Recreation Co.	10,000	11,182	25	11,157	-	-	83	0.08

Note 1: Capital at the time of establishment was US\$5.

Note 2: Capital at the time of establishment was US\$2.

B. Internal Control System

1. Statement on internal control

Advanced Semiconductor Engineering, Inc.

Statement on Internal Control

Date: March 23, 2004

We hereby state that the results of the self-inspection over the internal control system in the company for the period from January 1, 2003 to December 31, 2003 show the following:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), the preparation of reliable financial statements and their compliance with relevant rules and regulations.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Guidelines for Establishment of Internal Control Systems by Securities and Futures Related Organizations" (called the "Guidelines" below) promulgated by the Securities and Futures Commission, Ministry of Finance. The "Guidelines" divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment, (3) control operation, (4) information and communication, and (5) supervision. Each constituent contains several criteria. Please refer to the "Guidelines" for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of examination, the Company believes within the stated time frame, that the design and implementation of its internal control system (including supervision of subsidiaries), consisting of the effectiveness and efficiency of business operations, the preparation of reliable financial statements and the compliance of relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals.
6. This Statement shall become a major part of the annual report of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Law.
7. This Statement has been unanimously approved by all five directors of the Company present at the meeting held on March 23, 2004.

Advanced Semiconductor Engineering, Inc.

Jason C. S. Chang (seal)

Chairman

Richard H. P. Chang (seal)

President

2. Disclosure in CPA's examination report concerning internal control system: NA.

C. Dissenting views of directors or supervisors in important resolutions passed by the Board of Director in the last fiscal year and up to the date of this report: None.

D. Private placement carried out in the last fiscal year and up to the date of this report: None

E. Acquisition and disposal of company stocks in the last fiscal year and up to the date of this report:

December 31, 2003 In NT\$1,000; shares; %

Name of subsidiary	Paid-in capital	Funding source	ASE interest	Date of acquisition or disposal	Shares acquired and value	Shares disposed and value	Investment (loss) gain	Number of shares held and amount up to yearend	Pledging (Note)	Amount of endorsement for the subsidiary by ASE	ASE loan to subsidiary
ASE Investment Inc	1,000,000	Own fund	100%	2003		142,368,827 shares \$2,475,856	\$492,447	- \$ -			
ASE Capital Inc.	1,000,000	Own fund	100%	2003		21,420,317 shares \$374,668	(\$626,498)	- \$-			
ASE Test, Inc.	3,000,000	Own fund	50.27%	2003	65,271			Shares: 717,984 Value: \$21,278 Amount re-listed under treasury stocks \$19,696			

Note: No effect upon the company's operation results and financial standing.

F. Important resolutions made in shareholders' meetings and the board meetings in the last fiscal year and up to the date of this report:

1, Important resolutions made in shareholders' meetings

Date of meeting	Resolutions
June 19, 2003 Shareholders' Meeting	<ol style="list-style-type: none"> 1. Motion of the Company's 2002 final statement, etc. acknowledged and confirmed. 2. Motion of the Company's surplus distribution for 2002 acknowledged and confirmed. 3. Motion of the Company's Handling Procedures for Acquisition or Disposal of Property revised. 4. Motion of the Company's Operating Procedures for Loans to Others revised. 5. Motion of the Company's Operating Procedures for Endorsement and Guarantee revised. 6. Motion of the Company's authorized capital stock in the Articles of Incorporation revised. 7. Motion of issuance of new stocks out of the Company's surplus and capital reserves for capital increase established. 8. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to opt at the optimal time for capital increase in cash by joining the issuance of ECB or domestic capital increase in cash or issuance of domestic or foreign convertible bond to raise fund. 9. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to raise fund through private placement for consideration of urgency with regard to issuance of ECB or domestic capital increase in cash or issuance of convertible bond at home or abroad as mentioned in the foregoing paragraph. 10. Motion of the Company's Articles of Incorporation revised.

2. Important resolutions made by the Board of Directors

Date of meeting	Resolutions
January 16, 2003	Motion of the Company to use NT\$500,000,000 to participate in the capital increase in cash of ASE (Chung Li) Inc.
March 28, 2003	<ol style="list-style-type: none"> 1. Motion of the Company's 2002 operation report and financial statement for supervisors' audit and subsequent report to the 2003 Shareholders' Meeting acknowledged and confirmed. 2. Motion of 2002 surplus distribution for supervisors' audit and subsequent report to the 2003 Shareholders' Meeting. 3. Motion of the Company's endorsement and guarantee amount and loan out to others for financing up to December 31, 2002 and subsequent report to the 2003 Shareholders' Meeting. 4. Motion of revision of the First Issuance and Subscription Measures Concerning Employee Stock Option Warrant and subsequent report to the 2003 Shareholders' Meeting. 5. Motion of revision of the Company's Handling Procedures for Acquisition and Disposal of Property and subsequent report to the 2003 Shareholders' Meeting. 6. Motion of revision of the Company's Operating Procedures for Loans to Others and subsequent report to the 2003 Shareholders' Meeting. 7. Motion of draft of the Company's Operating Procedures for Endorsement and Guarantee and stop of use of the Company's original Measures Concerning External Endorsement and Guarantee and subsequent report to the 2003 Shareholders' Meeting for discussion. 8. Motion of revision of the Company's authorized capital stock in the Articles of

- Incorporation and subsequent report to the 2003 Shareholders' Meeting.
9. Motion of plant expansion and improvement of capital structure that calls for use of the 2002 distributable shareholders' bonus of NT\$97,644,000 and NT\$3,157,156,000 appropriated from capital reserves out of share premium, totalling NT\$3,254,800,000 or 325,480,000 shares at NT\$10 per share for capital and subsequent report to the 2003 Shareholders' Meeting.
 10. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to opt at the optimal time, in accordance with the market condition, the Company's needs for fund, the Company's Articles of Incorporation and related laws and regulations, for capital increase in cash by issuing common stocks, GDR, or capital increase in cash at home, or domestic or foreign convertible bond to raise fund.
 11. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to resort to private placement for fund-raising for the motion outlined in the preceding paragraph in case consideration must be given to the market condition and assurance of feasibility of successful access to fund and urgency of needs to meet outlays and subsequent report to the 2003 Shareholders' Meeting.
 12. Motion of revision of the Company's Articles of Incorporation and subsequent report to the 2003 Shareholders' Meeting.
 13. Motion of reelection of directors upon expiry of office term and subsequent report to the 2003 Shareholders' Meeting.
 14. Motion of date, venue and agenda for the Company's 2003 Shareholders' Meeting.
- April 15, 2003 Resolved to enter into agreement with Hung Ching Development & Construction Co. Ltd. to jointly build intelligent office building.
- April 18, 2003 Motion of appointment of the Company's COO Jason Chang to be CEO.
- May 27, 2003 Resolved to provide endorsement and guarantee for the Company's subsidiary ASE TEST FINANCE LIMITED for a syndicated loan of US\$150 million.
- June 20, 2003
1. Jason Chang elected Chairman of the Board, and Richard Chang the Vice Chairman.
 2. Motion of change the base date of combination of the Company and subsidiaries ASE Investment Inc. and ASE Capital Inc. to July 1, 2003.
- July 30, 2003 Motion of additional investment of USD13,913,200 in ASE Investment (Labuan) Inc. by ASE Holding Ltd. to enable the former to pay Motorola for the purchase of its Korean plant.
- August 1, 2003 Motion of setting the base date for share distribution of new shares by capital increase and the base date for capital increase to be August 30, 2003.
- August 5, 2003 Resolved to issue ECB to support capital needs to repay bank loans. The upper limit of the issuance amount is provisionally set at US\$200 million.
- August 22, 2003 Passed the issuance volume and roster of eligible subscribers to the 2002 Second Employee Stock Option Warrant.
- October 27, 2003 Resolved to join Compeq Manufacturing Co., Ltd. in a joint venture to form IC substrate firm. The name of the new company is temporarily set for ASE-Compeq Technologies Inc.
- October 28, 2003
1. Resolved to combine ASE (Chung Li) Inc. and ASE Material Inc. by merger and acquisition, in which ASE Inc. shall be the surviving company, and ASE (Chung Li) Inc. and ASE Material Inc. shall be the extinguished companies. One common stock share of ASE (Chung Li) Inc. exchanges 0.85 common stock shares of ASE Inc. and one common stock share of ASE Material Inc. for 0.5 shares of ASE Inc. The Company estimates to issue additional 282,315,437 new shares to the extinguished companies.

2. Resolved to issue new 282,315,437 shares in capital increase in conjunction with the said combination case.
- November 19, 2003
1. Resolved to issue common stocks not exceeding 300,000,000 shares for capital increase in cash for use in raising fund through issuance of GDR.
 2. Resolved to request shareholder ASE Enterprises Limited, hereinafter called the stock-selling shareholder, to make available the Company's common stocks of not more than 45,000,000 shares it holds for joint participation in the Company's 2003 capital increase in cash by issuing GDR.
 3. Resolved to raise fund by issuing ECB at the provisionally set upper limit of US\$150,000,000 in order to support capital need to repay bank loans.
- December 19, 2003
- Resolved to issue secured corporate bond of NT\$2.75 billion to raise medium- and long-term capital need for business.
- December 30, 2003
1. Resolved as of January 1, 2004, to change the original cost computation of weighted average method to moving average method at a time when ERP system is introduced for raising the overall competitiveness.
 2. Resolved to close the spinoff business ASE Holding Electronics (Philippines) Inc.
- February 2, 2004
- Resolved and passed to acquire NEC Yamagata, Ltd., an IC packaging and testing plant at Yamagata Prefecture, Japan through subsidiary J&R Holding Ltd. The agreement was jointly signed by J&R Holding Ltd., NEC Electronics Corporation and NEC Yamagata, Ltd. on February 3, 2004. Separately, a packaging and testing service contract was executed with NEC Electronics Corporation.
- March 3, 2004
- Resolved the reserved convertible corporate bond amount be raised from NT\$3 billion to NT\$4.5 billion in order to meet operation needs.
- March 24, 2004
1. Motion calling for supervisors' auditing the Company's 2003 operation report and financial statement before acknowledgement and confirmation is made and subsequent report to the 2003 Shareholders' Meeting.
 2. Motion calling for supervisors' auditing the Company's 2003 surplus distribution proposal before acknowledgement and confirmation is made and subsequent report to the 2003 Shareholders' Meeting.
 3. Motion of the Company's endorsement and guarantee total amount and amount of loans to others until December 31, 2003 and subsequent report to the 2004 Shareholders' Meeting.
 4. Motion of plan to use surplus and employees' bonus for capital increase to issue new shares and subsequent report to the 2004 Shareholders' Meeting.
 5. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to opt at the optimal time, in accordance with the market condition, the Company's needs for fund, the Company's Articles of Incorporation and related laws and regulations, for capital increase in cash by issuing common stocks, GDR, or capital increase in cash at home, or domestic or foreign convertible bond to raise fund. The motion, later to be submitted to the 2004 Shareholders' Meeting, is designed to meet future production capacity expansion, fulfill operating capital, repay bank loans or other capital needs for long-term development.
 6. Motion calling for the Shareholders' Meeting to authorize the Board of Directors to resort to private placement for fund-raising for the motion outlined in the preceding paragraph in case consideration must be given to the market condition and assurance of feasibility of successful access to fund and urgency of needs to meet outlays and subsequent report to the 2004 Shareholders' Meeting.
 7. Motion calling for the Shareholders' Meeting to agree lifting restrictions imposed on directors in competitive business as specified in Article 209 of the Company Law.

8. Motion of revision of the Company's Articles of Incorporation and subsequent report to the 2004 Shareholders' Meeting.
9. Motion calling for 2004 Shareholders' Meeting to reelect supervisors upon expiry of office term.
10. Motion of date, venue and agenda for the Company's 2004 Shareholders' Meeting.

G. Penalty against the Company and/or employees by the authority, disciplinary action taken by the Company against employee for violation of internal control system, major deficiencies and corrective actions taken: None.

H. Other necessary supplemental information: None.

IX. Other Matters

Major events as specified in Article 36(2)(2) of this Law hereof that could have significant impact upon shareholder's equity or securities price should describe item by item, if it had ever took place in the most recent year up to the date of the report:

Date: December 19, 2003

Ref. No.: Chin-Chung (Kao)-#9200775

To: Advanced Semiconductor Engineering, Inc.

Re: An important event occurred in your company which, according to Article 36(2)(2) of the Securities Transaction Act, may have significant impact upon shareholder's equity or securities price and the undersigned CPA, in accordance with Article 5 of the Handling Guidelines Governing Sponsor's Fund-raising and Issuance of Securities, wishes to express the professional opinion with respect to the impact it may bring upon your financial statement.

Explanation:

1. On October 28, 2003, your company and subsidiaries ASE (Chung Li) Inc. and ASE Material Inc. entered into an agreement for combination. According to Article 36(2)(2) of the Securities Transaction Act and Article 7 of the Enforcement Rules for the Securities Transaction Act, this action is a major event that may affect significantly shareholder's equity and stock price. Your statement in response to this event is reflected in your financial statement for the first three quarters of 2003. For details, please refer to the enclosure.
2. According to the agreement the combination is carried out in the form of merger and acquisition, your company is the surviving company and ASE (Chung Li) Inc. and ASE Material Inc. are hence dissolved. The base date for the M&A is preliminarily set for July 1, 2004 and the agreed upon exchange of shares is one share of ASE (Chung Li) Inc. for 0.85 shares of ASE Inc; one share of ASE Material Inc. for 0.50 shares of ASE Inc. As a result of this M&A, your company is expected to issue additional 282,315,000 shares in common stocks.
3. The undersigned CPA, in accordance with Article 5 of the Handling Guidelines Governing Sponsor's Fund-raising and Issuance of Securities, has reviewed the said agreement for combination and other related documents and further discussed with related staff of your company and believes that this event has indeed no significant impact upon your financial statement for the first three quarters of 2003 as what you have described in your statement.

Michael K Tseng

Certified Public Account

Deloitte & Touche

2003
Financial Statements

**Advanced Semiconductor Engineering, Inc.
and Its Subsidiaries**

**Consolidated Financial Statements as of
December 31, 2001, 2002 and 2003
Together with Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

February 6, 2004

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 consolidated subsidiaries (the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2003, which are required to be prepared in accordance with accounting principles generally accepted in the Republic of China and expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2003, in conformity with accounting principles generally accepted in the Republic of China.

Accounting principles generally accepted in the Republic of China vary 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 25 to the consolidated financial statements.

As discussed in Note 26 to the consolidated financial statements, the Company changed its method in accounting for goodwill and other intangible assets to conform to U.S. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002.

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.

Deloitte & Touche

Deloitte & Touche
(TN Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Kaohsiung, Taiwan
The Republic of China

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Par Value)

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	9,829,508	8,562,425	251,910
Short-term investments (Notes 2, 3 and 19)	2,590,436	3,017,779	88,784
Notes receivable	112,667	111,596	3,283
Accounts receivable (Note 4)	8,885,879	12,798,135	376,527
Other receivables	130,310	206,475	6,075
Inventories (Notes 2 and 5)	3,131,652	4,691,771	138,034
Deferred income tax assets (Notes 2 and 17)	1,084,441	1,224,501	36,025
Pledged time deposit (Note 19)	428,743	167,426	4,926
Prepayments and other	838,123	677,794	19,941
Total current assets	27,031,759	31,457,902	925,505
LONG-TERM INVESTMENTS (Notes 2, 6 and 8)			
Long-term stock investments—equity method	4,752,847	4,521,113	133,013
Long-term stock investment—cost method	1,813,887	1,756,542	51,678
Prepaid for long-term investments	-	12,000	353
Other long-term investments	-	50,000	1,471
Other financial assets—non-current	-	3,140	93
Total long-term investments	6,566,734	6,342,795	186,608
PROPERTIES (Notes 2, 7, 19 and 20)			
Cost			
Land	3,870,967	3,794,571	111,638
Buildings and improvements	16,656,394	18,391,271	541,079
Machinery and equipment	72,203,572	81,840,769	2,407,790
Transportation equipment	104,225	107,400	3,160
Furniture and fixtures	1,579,785	1,781,292	52,406
Leased assets and leasehold improvements	855,487	1,026,848	30,210
Long-term land leasehold rights	62,206	60,808	1,789
Total cost	95,332,636	107,002,959	3,148,072
Accumulated depreciation	(39,709,319)	(48,281,935)	(1,420,475)
Construction in progress	55,623,317	58,721,024	1,727,597
Machinery in transit and prepayments	1,683,387	2,425,310	71,354
	5,782,166	6,193,613	182,218
Net properties	63,088,870	67,339,947	1,981,169
OTHER ASSETS			
Guarantee deposits (Note 19)	170,064	359,908	10,589
Deferred charge (Notes 2 and 20)	1,055,339	1,519,268	44,697
Deferred income tax assets (Notes 2 and 17)	1,180,773	2,230,229	65,614
Other	269,669	477,960	14,062
Total other assets	2,675,845	4,587,365	134,962
CONSOLIDATED DEBITS (Notes 2 and 8)	5,541,808	4,596,234	135,223
TOTAL ASSETS	104,905,016	114,324,243	3,363,467

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 9 and 19)	3,903,994	\$ 5,048,230	148,521
Commercial papers and bank acceptances payable (Notes 9 and 10)	2,384,577	1,075,965	31,655
Notes and accounts payable	4,047,171	6,488,989	190,909
Payable for properties	4,494,828	4,392,340	129,225
Income tax payable (Note 17)	172,453	217,846	6,409
Current portion of long-term bank loans (Notes 12 and 19)	6,008,709	5,491,389	161,559
Current portion of obligation under capital leases (Note 20)	193,714	164,612	4,843
Current portion of long-term payable for investments (Note 24)	962,758	2,309,960	67,960
Accrued expenses (Note 13)	1,839,423	1,839,276	54,112
Other	382,349	633,438	18,636
Total current liabilities	24,389,976	27,662,045	813,829
LONG-TERM LIABILITIES			
Long-term bonds payable (Notes 2 and 11)	5,179,793	6,861,232	201,860
Long-term bank loans (Notes 12 and 19)	22,735,903	23,873,312	702,363
Obligation under capital leases (Note 20)	273,660	105,517	3,104
Long-term payable for investments	2,364,360	-	-
Total long-term liabilities	30,553,716	30,840,061	907,327
ACCRUED PENSION COST (Notes 2 and 13)	416,671	587,286	17,278
DEFERRED INCOME TAX LIABILITIES (Notes 2 and 17)	35,658	34,674	1,020
Total liabilities	55,396,021	59,124,066	1,739,454
COMMITMENTS AND CONTINGENCIES (Note 19)			
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	10,078,329	10,077,575	296,487
SHAREHOLDERS' EQUITY (Notes 2 and 14)			
Capital stock—NT\$10 par value			
Authorized—4,550,000,000 shares in 2002 and 5,150,000,000 shares in 2003			
Issued—3,254,800,000 shares in 2002 and 3,580,280,000 shares in 2003	32,548,000	35,802,800	1,053,333
Capital surplus			
Capital in excess of par value	3,171,933	14,777	435
Treasury stock transaction	-	220,735	6,494
Long-term investment	3,753,594	3,811,262	112,129
Total capital surplus	6,925,527	4,046,774	119,058
Retained earnings	1,173,564	3,808,436	112,046
Other equity adjustments			
Unrealized loss on long-term investments in shares of stock	(423,620)	(68,833)	(2,025)
Cumulative translation adjustments	1,847,021	1,559,599	45,884
Unrecognized pension cost	-	(16,137)	(475)
Total other equity adjustments	1,423,401	1,474,629	43,384
Treasury stock—164,441,857 shares in 2002 and 717,984 shares in 2003	(2,639,826)	(10,037)	(295)
Total shareholders' equity	39,430,666	45,122,602	1,327,526
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	104,905,016	114,324,243	3,363,467

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

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Share Data)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
NET REVENUES (Notes 2 and 24)				
Packaging	28,898,185	35,515,397	45,026,868	1,324,709
Testing	9,459,275	10,060,635	12,142,396	357,234
Other	10,366	10,806	142,506	4,193
Total revenues	<u>38,367,826</u>	<u>45,586,838</u>	<u>57,311,770</u>	<u>1,686,136</u>
COST OF REVENUES (Note 16)				
Packaging	24,272,336	29,260,015	37,042,539	1,089,807
Testing	8,676,475	9,219,424	9,287,142	273,231
Other	8,203	12,831	136,772	4,024
Total cost of revenues	<u>32,957,014</u>	<u>38,492,270</u>	<u>46,466,453</u>	<u>1,367,062</u>
GROSS PROFIT	<u>5,410,812</u>	<u>7,094,568</u>	<u>10,845,317</u>	<u>319,074</u>
OPERATING EXPENSES (Notes 2, 7, 8, 16 and 20)				
Selling	877,858	909,440	1,204,912	35,449
General and administrative	3,490,507	4,821,384	4,015,850	118,148
Research and development	<u>1,504,536</u>	<u>2,048,973</u>	<u>2,354,034</u>	<u>69,257</u>
Total operating expenses	<u>5,872,901</u>	<u>7,779,797</u>	<u>7,574,796</u>	<u>222,854</u>
INCOME (LOSS) FROM OPERATIONS	<u>(462,089)</u>	<u>(685,229)</u>	<u>3,270,521</u>	<u>96,220</u>
NON-OPERATING INCOME				
Interest (Note 22)	503,603	392,593	114,627	3,372
Foreign exchange gain—net (Notes 2 and 22)	247,498	-	-	-
Gain on sale of investment	50,666	101,314	618,857	18,207
Other (Note 23)	<u>466,787</u>	<u>481,526</u>	<u>336,546</u>	<u>9,901</u>
Total non-operating income	<u>1,268,554</u>	<u>975,433</u>	<u>1,070,030</u>	<u>31,480</u>
NON-OPERATING EXPENSES				
Interest (Notes 2 and 7)	2,242,879	1,971,227	1,419,352	41,758
Investment loss under equity method (Notes 2 and 6)	1,246,836	410,348	240,656	7,080
Foreign exchange loss—net (Notes 2 and 22)	-	397,874	386,844	11,381
Realized loss on long-term investments (Note 14)	-	-	354,787	10,438
Other	<u>302,249</u>	<u>220,460</u>	<u>451,182</u>	<u>13,274</u>
Total non-operating expenses	<u>3,791,964</u>	<u>2,999,909</u>	<u>2,852,821</u>	<u>83,931</u>
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST AND EXTRAORDINARY LOSS	<u>(2,985,499)</u>	<u>(2,709,705)</u>	<u>1,487,730</u>	<u>43,769</u>
INCOME TAX BENEFIT (Notes 2 and 17)	<u>199,160</u>	<u>1,140,324</u>	<u>1,278,148</u>	<u>37,604</u>
INCOME (LOSS) BEFORE MINORITY INTEREST AND EXTRAORDINARY LOSS	<u>(2,786,339)</u>	<u>(1,569,381)</u>	<u>2,765,878</u>	<u>81,373</u>
EXTRAORDINARY LOSS (NET OF TAX BENEFIT NT\$48,188 in 2001 and NT\$11,538 (US\$339) in 2002) (Note 11)	<u>(144,565)</u>	<u>(34,613)</u>	<u>(75,668)</u>	<u>(2,226)</u>
MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES	<u>788,685</u>	<u>1,733,029</u>	<u>52,586</u>	<u>1,547</u>
NET INCOME (LOSS)	<u>(2,142,219)</u>	<u>129,035</u>	<u>2,742,796</u>	<u>80,694</u>

(Continued)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
EARNINGS (LOSS) PER SHARE (Note 18)				
Basic				
Based on weighted average number of outstanding shares of 3,254,800,000 in 2001, 3,090,678,225 in 2002 and 3,504,700,089 in 2003				
Before income tax				
Income (loss) before extraordinary loss	(0.71)	(0.26)	0.51	0.01
Extraordinary loss	(<u>0.06</u>)	(<u>0.01</u>)	(<u>0.02</u>)	-
Net income (loss)	(<u>0.77</u>)	(<u>0.27</u>)	<u>0.49</u>	<u>0.01</u>
After income tax				
Income (loss) before extraordinary loss	(0.61)	0.05	0.80	0.02
Extraordinary loss	(<u>0.05</u>)	(<u>0.01</u>)	(<u>0.02</u>)	-
Net income (loss)	(<u>0.66</u>)	<u>0.04</u>	<u>0.78</u>	<u>0.02</u>
Diluted				
Based on weighted average number of outstanding shares of 3,254,800,000 in 2001, 3,090,678,225 in 2002 and 3,537,048,918 in 2003				
Before income tax				
Income (loss) before extraordinary loss	(0.71)	(0.26)	0.50	0.01
Extraordinary loss	(<u>0.06</u>)	(<u>0.01</u>)	(<u>0.02</u>)	-
Net income (loss)	(<u>0.77</u>)	(<u>0.27</u>)	<u>0.48</u>	<u>0.01</u>
After income tax				
Income (loss) before extraordinary loss	(0.61)	0.05	0.80	0.02
Extraordinary loss	(<u>0.05</u>)	(<u>0.01</u>)	(<u>0.02</u>)	-
Net income (loss)	(<u>0.66</u>)	<u>0.04</u>	<u>0.78</u>	<u>0.02</u>
Based on weighted average number of outstanding shares After giving retroactive adjustment to 2003 stock dividends				
Basic				
Before income tax				
Loss before extraordinary loss	(0.64)	(0.24)		
Extraordinary loss	(<u>0.05</u>)	(<u>0.01</u>)		
Net loss	(<u>0.69</u>)	(<u>0.25</u>)		
After income tax				
Income (loss) before extraordinary loss	(0.56)	0.05		
Extraordinary loss	(<u>0.04</u>)	(<u>0.01</u>)		
Net income (loss)	(<u>0.60</u>)	<u>0.04</u>		
Diluted				
Before income tax				
Loss before extraordinary loss	(0.64)	(0.24)		
Extraordinary loss	(<u>0.05</u>)	(<u>0.01</u>)		
Net loss	(<u>0.69</u>)	(<u>0.25</u>)		
After income tax				
Income (loss) before extraordinary loss	(0.56)	0.05		
Extraordinary loss	(<u>0.04</u>)	(<u>0.01</u>)		
Net income (loss)	(<u>0.60</u>)	<u>0.04</u>		
EARNINGS (LOSS) PER EQUIVALENT ADS (Note 18)				
Basic				
Based on weighted average number of outstanding shares of 650,960,000 in 2001, 618,135,645 in 2002 and in 700,940,018 in 2003				
Before income tax				
Income (loss) before extraordinary loss	(3.54)	(1.29)	2.53	0.07
Extraordinary loss	(<u>0.30</u>)	(<u>0.07</u>)	(<u>0.11</u>)	-
Net income (loss)	(<u>3.84</u>)	(<u>1.36</u>)	<u>2.42</u>	<u>0.07</u>
After income tax				
Income (loss) before extraordinary loss	(3.07)	0.26	4.02	0.12
Extraordinary loss	(<u>0.22</u>)	(<u>0.05</u>)	(<u>0.11</u>)	-
Net income (loss)	(<u>3.29</u>)	<u>0.21</u>	<u>3.91</u>	<u>0.12</u>

(Continued)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Diluted				
Based on weighted average number of outstanding shares of 650,960,000 in 2001, 618,135,645 in 2002 and 707,409,784 shares in 2003				
Before income tax				
Income (loss) before extraordinary loss	(3.54)	(1.29)	2.51	0.07
Extraordinary loss	(0.30)	(0.07)	(0.11)	-
Net income (loss)	<u>(3.84)</u>	<u>(1.36)</u>	<u>2.40</u>	<u>0.07</u>
After income tax				
Income (loss) before extraordinary loss	(3.07)	0.26	3.99	0.12
Extraordinary loss	(0.22)	(0.05)	(0.11)	-
Net income (loss)	<u>(3.29)</u>	<u>0.21</u>	<u>3.88</u>	<u>0.12</u>
Based on weighted average number of outstanding shares After giving retroactive adjustment to 2003 stock dividends				
Basic				
Before income tax				
Loss before extraordinary loss	(3.22)	(1.17)		
Extraordinary loss	(0.27)	(0.07)		
Net loss	<u>(3.49)</u>	<u>(1.24)</u>		
After income tax				
Income (loss) before extraordinary loss	(2.79)	0.24		
Extraordinary loss	(0.20)	(0.05)		
Net income (loss)	<u>(2.99)</u>	<u>0.19</u>		
Diluted				
Before income tax				
Loss before extraordinary loss	(3.22)	(1.17)		
Extraordinary loss	(0.27)	(0.07)		
Net loss	<u>(3.49)</u>	<u>(1.24)</u>		
After income tax				
Income (loss) before extraordinary loss	(2.79)	0.24		
Extraordinary loss	(0.20)	(0.05)		
Net income (loss)	<u>(2.99)</u>	<u>0.19</u>		

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

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands)

	Capital Surplus						Retained Earnings			Unrealized Loss on Long-term Investments in Shares of Stock	Cumulative Translation Adjustments	Unrecognized Pension Cost	Treasury Stock	Total Shareholders' Equity
	Capital Stock	Capital in excess of par value	Treasury stock transaction	Gain on disposal of properties	Long-term investment	Total	Legal reserve	Unappropriated earnings (accumulated losses)	Total					
<u>New Taiwan Dollars</u>														
BALANCE, JANUARY 1, 2001	27,520,000	3,171,933	-	23,109	4,075,783	7,270,825	2,329,177	5,871,770	8,200,947	(546,829)	1,224,271	-	-	43,669,214
Appropriations of 2000 earnings														
Legal reserve	-	-	-	-	-	-	583,539	(583,539)	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	-	-	(103,200)	(103,200)	-	-	-	-	(103,200)
Bonus to employees—cash	-	-	-	-	-	-	-	(10,400)	(10,400)	-	-	-	-	(10,400)
Bonus to employees—stock	349,600	-	-	-	-	-	-	(349,600)	(349,600)	-	-	-	-	-
Stock dividends—17%	4,678,400	-	-	-	-	-	-	(4,678,400)	(4,678,400)	-	-	-	-	-
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	(419,311)	(419,311)	-	98,526	98,526	-	-	-	-	(320,785)
Reversal of unrealized loss on long-term investment in shares of stock	-	-	-	-	-	-	-	-	-	104,583	-	-	-	104,583
Consolidated net loss in 2001	-	-	-	-	-	-	-	(2,142,219)	(2,142,219)	-	-	-	-	(2,142,219)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	749,128	-	-	749,128
BALANCE, DECEMBER 31, 2001	32,548,000	3,171,933	-	23,109	3,656,472	6,851,514	2,912,716	(1,897,062)	1,015,654	(442,246)	1,973,399	-	-	41,946,321
Transfer of ASE Inc. shares held by subsidiaries as treasury stock	-	-	-	-	-	-	-	-	-	-	-	(2,639,826)	(2,639,826)	-
Reversal of prior years' gain on disposal of properties	-	-	-	(23,109)	-	(23,109)	2,310	20,799	23,109	-	-	-	-	-
Legal reserve offsets against deficit	-	-	-	-	-	-	(1,876,264)	1,876,264	-	-	-	-	-	-
Reversal of unrealized loss on long-term investments in share of stock	-	-	-	-	-	-	-	-	-	18,626	-	-	-	18,626
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	104,474	104,474	-	(1,586)	(1,586)	-	-	-	-	102,888
Adjustment of equity in subsidiary due to reversal of prior years' gain on disposal of properties	-	-	-	-	(7,352)	(7,352)	-	7,352	7,352	-	-	-	-	-
Consolidated net income in 2002	-	-	-	-	-	-	-	129,035	129,035	-	-	-	-	129,035
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(126,378)	-	-	-	(126,378)
BALANCE, DECEMBER 31, 2002	32,548,000	3,171,933	-	-	3,753,594	6,925,527	1,038,762	134,802	1,173,564	(423,620)	1,847,021	(2,639,826)	-	39,430,666
Appropriations of 2002 earnings														
Legal reserve	-	-	-	-	-	-	12,903	(12,903)	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	-	-	(2,280)	(2,280)	-	-	-	-	(2,280)
Bonus to employees—cash	-	-	-	-	-	-	-	(8,000)	(8,000)	-	-	-	-	(8,000)
Stock dividends—0.3%	97,644	-	-	-	-	-	-	(97,644)	(97,644)	-	-	-	-	-
Capital surplus transfer to common stock—9.7%	3,157,156	(3,157,156)	-	-	-	(3,157,156)	-	-	-	-	-	-	-	-
Sales of ASE Inc. shares held by subsidiaries	-	-	220,735	-	-	220,735	-	-	-	354,787	-	-	2,629,789	3,205,311
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	57,668	57,668	-	-	-	-	-	-	-	57,668
Adjustment of equity in subsidiary due to unrecognized pension cost	-	-	-	-	-	-	-	-	-	-	(16,137)	-	(16,137)	-
Consolidated net income in 2003	-	-	-	-	-	-	-	2,742,796	2,742,796	-	-	-	-	2,742,796
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(287,422)	-	-	-	(287,422)
BALANCE, DECEMBER 31, 2003	35,802,800	14,777	220,735	-	3,811,262	4,046,774	1,051,665	2,756,771	3,808,436	(68,833)	1,559,599	(16,137)	(10,037)	45,122,602
<u>U.S. Dollars</u>														
BALANCE, JANUARY 1, 2003	957,575	93,320	-	-	110,432	203,752	30,561	3,966	34,527	(12,463)	54,340	-	(77,664)	1,160,067
Appropriations of 2002 earnings														
Legal reserve	-	-	-	-	-	-	380	(380)	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	-	-	(67)	(67)	-	-	-	-	(67)
Bonus to employees—cash	-	-	-	-	-	-	-	(235)	(235)	-	-	-	-	(235)
Stock dividends—0.3%	2,873	-	-	-	-	-	-	(2,873)	(2,873)	-	-	-	-	-
Capital surplus transfer to common stock—9.7%	92,885	(92,885)	-	-	-	(92,885)	-	-	-	-	-	-	-	-
Sales of ASE Inc. shares held by subsidiaries	-	-	6,494	-	-	6,494	-	-	-	10,438	-	-	77,369	94,301
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	1,697	1,697	-	-	-	-	-	-	-	1,697
Adjustment of equity in subsidiary due to unrecognized loss on pension cost	-	-	-	-	-	-	-	-	-	-	(475)	-	(475)	-
Consolidated net income in 2003	-	-	-	-	-	-	-	80,694	80,694	-	-	-	-	80,694
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(8,456)	-	-	-	(8,456)
BALANCE, DECEMBER 31, 2003	1,053,333	435	6,494	-	112,129	119,058	30,941	81,105	112,046	(2,025)	45,884	(475)	(295)	1,327,526

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

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(2,142,219)	129,035	2,742,796	80,694
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Minority interest in net loss of subsidiaries	(788,685)	(1,733,029)	(52,586)	(1,547)
Depreciation	10,633,197	11,841,331	12,210,910	359,250
Amortization	494,088	444,995	555,658	16,348
Exchange (gain) loss on:				
Long-term foreign bonds payable	640,171	(69,321)	(110,655)	(3,256)
Long-term foreign investment payable	223,599	(34,926)	(62,747)	(1,846)
Accrued interest on convertible bonds	872,575	576,437	358,286	10,541
Provision for doubtful accounts and sales allowance	80,629	85,823	207,018	6,091
Gain on sale of investments	(50,666)	(101,314)	(618,857)	(18,207)
Loss on early redemption of foreign convertible bonds	144,565	46,151	75,668	2,226
Loss from sale of treasury stock	-	-	354,787	10,438
Investment loss under equity method	1,246,836	410,348	240,656	7,080
Cash dividends received from long-term investment	33,196	-	-	-
Reversal of accrued interest from long-term investment payable	-	(145,238)	-	-
Impairment loss on fixed assets	-	1,225,555	-	-
Loss on disposal of properties	26,884	15,668	62,792	1,847
Provision for loss on long-term bonds investments	29,822	-	-	-
Loss from idle assets	111,109	78,120	176,841	5,203
Amortization of consolidated debits	692,919	815,573	819,253	24,103
Deferred income taxes	(401,745)	(1,130,358)	(1,190,500)	(35,025)
Accrued pension cost	46,013	122,233	170,615	5,019
Other	(3,251)	-	(3,140)	(92)
Changes in operating assets and liabilities				
Notes receivable	114,456	(7,482)	1,071	32
Accounts receivable	1,939,341	(1,950,738)	(4,119,274)	(121,191)
Inventories	477,891	(363,216)	(1,560,119)	(45,899)
Prepayments and other	199,912	(231,154)	84,164	2,476
Notes and accounts payable	(891,130)	1,078,392	2,441,818	71,839
Income tax payable	(856,346)	(72,165)	45,393	1,335
Accrued expenses and other	(821,272)	217,222	264,745	7,789
Effect of exchange rate changes	(473,515)	65,858	211,640	6,227
Net cash provided by operating activities	<u>11,578,374</u>	<u>11,313,800</u>	<u>13,306,233</u>	<u>391,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of properties	(13,816,544)	(12,657,920)	(17,534,057)	(515,859)
(Increase) decrease in short-term investments	(2,913,644)	2,112,050	(371,561)	(27,184)
Decrease (increase) in pledged time deposits	128,837	(287,794)	261,317	7,688
Payments for long-term stock investments	(216,444)	(49,716)	(138,019)	(4,061)
Increase in other assets	(214,772)	(831,279)	(1,125,361)	(33,109)
Proceeds from sales of:				
Properties	685,776	77,142	250,535	7,371
Bonds	195,320	-	-	-
ASE Inc. shares	-	-	2,850,524	83,864
Others	51,639	-	105,536	3,105
Purchase of ASE Material Inc. shares	-	(10,000)	(20,976)	(617)
Purchase of ASE Test Ltd. shares	(1,202,185)	(317,004)	-	-
Purchase of ISE Labs, Inc. shares	-	(1,755,133)	-	-
Net cash provided by (used in) investing activities	<u>(17,302,017)</u>	<u>(13,719,654)</u>	<u>(15,722,062)</u>	<u>(478,802)</u>

(Continued)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of):				
The issuance of foreign convertible bonds payable	-	-	6,684,882	196,672
Long-term debts	9,746,636	1,161,489	(102,881)	(3,027)
Investment payable	(803,833)	(249,250)	(954,411)	(28,079)
Commercial papers and bank acceptances payable	(837,491)	(1,739,263)	(629,086)	(18,508)
Proceeds from short-term borrowings	944,148	2,375,322	1,161,183	34,162
Contribution to a sinking fund for convertible bonds	(1,568,057)	-	-	-
Early redemption of foreign convertible bonds	(6,066,042)	(1,674,053)	(4,908,389)	(144,407)
Increase in minority interest	1,552,601	656,246	119,368	3,512
Compensation to directors and supervisors and bonus to employees	(113,600)	-	(10,280)	(302)
Net cash provided by financing activities	<u>2,854,362</u>	<u>530,491</u>	<u>1,360,386</u>	<u>40,023</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>473,515</u>	<u>(65,858)</u>	<u>(211,640)</u>	<u>(6,227)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,395,766)	(1,941,221)	(1,267,083)	(53,531)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,166,495</u>	<u>11,770,729</u>	<u>9,829,508</u>	<u>305,441</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>11,770,729</u>	<u>9,829,508</u>	<u>8,562,425</u>	<u>251,910</u>
SUPPLEMENTAL INFORMATION				
Interest paid (excluding capitalized interest)	1,557,887	1,248,726	1,120,215	32,957
Income tax paid	1,024,286	88,884	57,633	1,696
Cash paid for acquisition of properties				
Acquisition of properties	11,565,689	15,749,807	17,234,324	507,041
(Increase) decrease in payable	2,250,855	(2,566,359)	102,488	3,015
(Increase) decrease in obligation under capital leases	-	(525,528)	197,245	5,803
	<u>13,816,544</u>	<u>12,657,920</u>	<u>17,534,057</u>	<u>515,859</u>
Cash received from capital increase through the issuance of American Depository Shares				
Net proceeds	-	-	6,818,000	200,588
Issuance expense	-	-	(119,315)	(3,510)
Increase in payable	-	-	(13,803)	(406)
Net cash inflow	<u>-</u>	<u>-</u>	<u>6,684,882</u>	<u>196,672</u>
Cash paid for redemption of foreign convertible bonds				
Redemption price for foreign convertible bonds	6,066,042	3,242,110	4,908,389	144,407
Cash paid from sinking fund	-	(1,568,057)	-	-
	<u>6,066,042</u>	<u>1,674,053</u>	<u>4,908,389</u>	<u>144,407</u>
NON-CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES				
Reclassification of the ASE Inc. shares which are held by consolidated subsidiaries from long-term investment to treasury stock	-	2,639,826	-	-
Reversal of treasury stock due to sale of ASE Inc.'s shares which are held by consolidated subsidiaries	-	-	1,405,632	41,354

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

(Concluded)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001, 2002 AND 2003

(Amounts in Thousands, Except Share Data and Unless Otherwise Stated)

1. HISTORY AND ORGANIZATION

Overview

Advanced Semiconductor Engineering, Inc. (the "Company"), a corporation incorporated under the laws of Republic of China (the "ROC") is an independent provider of semiconductor packaging and testing services. The Company's common shares are traded on the Taiwan Stock Exchange under the symbol "2311". Since September 2000, the Company's common shares in the form of American depository shares ("ADS") have been traded on the New York Stock Exchange under the symbol "ASX". The Company and its consolidated subsidiaries and affiliates are together referred to as the "ASE Group".

On July 17, 2002, the Board of Directors of the Company passed a resolution whereby ASE Investment Inc. and ASE Capital Inc. (a wholly-owned subsidiary of the Company), would be merged into the Company. Upon the completion of the merger, all of the assets and liabilities of ASE Investment Inc. and ASE Capital Inc. were assumed by the Company. The merger was effective on July 1, 2003.

As of December 31, 2002 and 2003, the Company and subsidiaries had approximately 24,443 and 20,401 employees, respectively.

Set forth is a brief overview of the Company's organization structure and its equity stakes in its consolidated subsidiaries.

The Company has four wholly-owned subsidiaries:

- a. ASE Holding Limited (incorporated in Bermuda in April 1990), which holds shares in ASE Group companies;
- b. ASE Marketing Services Ltd. (incorporated in Hong Kong in February 1991), which engages in trading;
- c. J&R Holding Limited (incorporated in Bermuda in May 1996), which holds shares in ASE Group companies;
- d. ASE Japan Co. (incorporated in Japan in Yokohama, December 2003), which engages in marketing and provides sales services relating to packaging and testing.

As of December 31, 2003, the Company also held:

- a. 98.8% equity stake in ASE Technologies, Inc. (incorporated in the ROC in June 1991), which is engaged in the research and development, manufacture and sales of computers and related accessories;
- b. 90.0% equity stake in ASE Network Inc. (incorporated in the ROC in January 2000), which is engaged in investing in Taiwan Fixed Network Co., Ltd.;
- c. 72.4% equity stake in ASE (Chung Li) Inc. ("ASE Chung Li") (incorporated in the ROC in April 1999), which is engaged in the packaging and testing of semiconductors. In addition, ASE Test Limited has a 27.6% equity stake in ASE Chung Li; and

- d. 57.4% equity stake in ASE Material Inc. (“ASE Material”) (incorporated in the ROC in December 1997), which is engaged in the design and production of leadframes and substrates used in the packaging of semiconductors. In addition, ASE Test, Inc. has a 4.0% equity stake in ASE Material.

ASE Holding Limited has the following wholly-owned or majority-owned subsidiaries:

- a. ASEP Realty Corporation (incorporated in the Philippines in December 1995), which holds real estate of ASE Holding Electronics (Philippines);
- b. ASE Holding Electronics (Philippines) (incorporated in the Philippines in December 1995), which manufactures electronic products, components and semiconductors. However, the board of ASE Holding Electronics (Philippines) had decided to close the facilities and discontinued operation in December 2003; and
- c. 70.0% equity stake in ASE Investment (Labuan) Inc. (incorporated in Malaysia in June 1999), which holds shares of ASE Korea Inc. In addition, ASE Test Limited has a 30.0% equity stake in ASE Investment (Labuan) Inc.

A portion of the share capital of the Company’s subsidiaries incorporated in Philippines is held by certain Filipino individuals due to local requirements.

J&R Holding Limited has three subsidiaries:

- a. 100.0% equity stake of J&R Industrial Inc. (incorporated in the ROC in April 1999), which is mainly engaged in the leasing of substrate, packaging and testing equipment; and
- b. 100.0% equity stake of Grand Innovation Co., Ltd. (incorporated in the British virgin Islands in March 2001), which holds 6.9% convertible preferred stock of Integrated Programmable Communication, Inc.
- c. 39.1% equity stake of ASE Test Limited (“ASE Test”) (incorporated in Singapore in May 1996), which holds shares in ASE Group companies.

In addition, as of December 31, 2003, ASE Holding Limited held an 11.2% equity stake in ASE Test. The shares of ASE Test have been listed on the NASDAQ National Market in the United States since June 1996.

ASE Test has four wholly-owned subsidiaries:

- a. ASE Test, Inc. (incorporated in the ROC in December 1987), which is engaged in the testing of semiconductors;
- b. ASE Holding (Singapore) Pte. Ltd. (incorporated in Singapore in December 1994), which holds shares in ASE Group companies;
- c. ASE Test Holdings, Limited (“ASE Test Holdings”) (incorporated in Cayman Islands in April 1999), which mainly holds shares in ASE Group companies; and
- d. ASE Test Finance Limited (“ASE Test Finance”) (incorporation in Mauritius in June 1999), which is engaged in financing activities.

ASE Test, Inc. has a wholly-owned subsidiary, ASE Test (USA) Inc. (incorporated in the United States in October 1995), which is currently being liquidated.

ASE Holding (Singapore) Pte. Ltd. has a wholly-owned subsidiary, ASE Electronics (M) Sdn., Bhd. (“ASE Test Malaysia”) (incorporated in Malaysia in February 1991), which is engaged in the packaging and testing of semiconductors.

ASE Test Holdings has a wholly-owned subsidiary, ISE Labs, Inc. (“ISE Labs”) (incorporated in California, U.S.A. in November 1983), which is engaged in the front-end engineering testing and final testing of semiconductors.

ASE Chung Li has a wholly-owned subsidiary, Omniquest Industrial Limited (“Omniquest”) (incorporated in the British Virgin Islands in June 2001), which holds shares in ASE (Shanghai) Inc.

Omniquest has a wholly-owned subsidiary, ASE (Shanghai) Inc. (incorporated in the People’s Republic of China in 2002), which is currently in the pre-operating phase.

ASE Investment (Labuan) Inc. has a wholly-owned subsidiary, ASE Korea Inc. (“ASE Korea”) (incorporated in the Republic of Korea in 1999), which is engaged in the packaging and testing of semiconductors.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the ROC (“ROC GAAP”). Significant accounting policies are summarized as follows:

Presentation of Consolidated Financial Statements

The Company prepares its consolidated financial statements in accordance with ROC GAAP and prepares a reconciliation to generally accepted accounting principles of the United States (“U.S. GAAP”) (see Note 26). The accompanying consolidated balance sheets are presented for the two years ended as of December 31, 2002 and 2003, and the accompanying consolidated statements of income, changes in shareholders’ equity and cash flows are presented for the three years ended December 31, 2001, 2002 and 2003.

Unless otherwise stated, amounts presented are in thousands of New Taiwan dollars (NT\$).

Consolidation

The consolidated financial statements include the accounts of the Company and all of the aforementioned subsidiaries.

All intercompany accounts and transactions have been eliminated and minority shareholders’ interests in the equity and earnings of the subsidiaries are presented separately in the consolidated financial statements. The differences between the costs of investments and the proportionate equity in each subsidiary when the stocks were acquired are recorded as consolidated credits or debits and are amortized on the straight-line method over ten years.

Use of Estimates

The preparation of consolidated financial statements in conformity with ROC GAAP requires management to make estimates and judgments that affect the recorded amounts of assets, liabilities, revenues and expenses of the Company. The Company continually evaluates these estimates, including those related to allowances for doubtful accounts, inventories, useful lives of properties, consolidated debits, income tax valuation allowances, pension plans and the fair value of financial instruments. The Company bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Assets and Liabilities Classified as Current and Non-current

Current assets include cash or cash equivalent and other assets that are reasonably expected to be realized in cash, or to be consumed within one year from the balance sheet date; otherwise are classified as non-current assets.

Current liabilities are liabilities which are reasonably expected to be liquidated within one year. All other liabilities are classified as non-current.

Cash and Cash Equivalents

The Company considers all highly liquid investments within an original maturity from date of purchase of three months or less to be cash equivalents.

Short-term Investments

Short-term investments are carried at cost less allowance for decline in market value.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on evaluation of the collectibility of receivables.

The total amount of the provision is determined based on the identification of customers that the Company determines to have a higher credit risk based on overdue accounts, past collection difficulties or their overall financial condition. An estimation is made based on the extent to which the customer will be able to meet its financial obligations to the Company and a provision is recorded to reduce the accounts receivable balance to the amount the Company reasonably believes will be collected. For all other customers, an allowance is equal to a percentage of the aggregate accounts receivable based on history of collection. An allowance for these other customers ranges between 3% and 4%, on a consolidated basis, of the Company's accounts receivable.

Inventories

Inventories are stated at the lower of the first-in, first-out or weighted average cost or market value. Unbilled processing charges incurred are included in finished goods and work in process and are stated at actual cost. Market value represents net realizable value for finished goods and work in process, and replacement costs for raw materials, supplies and spare parts.

Materials received from customers for processing, mainly semiconductor wafers, are excluded from inventories as title and risk of loss remains with the customers.

Long-term Investments in Shares of Stock

Long-term investments of which the Company owns at least 20% of the outstanding voting shares and where the Company exercises significant influence over the investee company's operations are accounted for by the equity method. Under the equity method, the investments are initially carried at cost and subsequently adjusted for the Company's proportionate share in the net earnings or losses of the investee companies. Such proportionate share in the earnings or losses are recognized as investment income or losses while any cash dividends declared are reflected as a reduction in the carrying value of the investments. The goodwill representing the excess of the investment cost over the Company's proportionate equity in the fair value of the net assets of the investees at the time of investments or at the time the equity method of accounting is first applied to a particular investment, is amortized on the straight-line method over ten years. Changes in the Company's ownership percentage of investees under the equity method are accounted for as adjustments to long-term investments and capital surplus.

Other long-term investments in shares of stock are carried at cost or lower of cost or market value. Allowances for decline in market value and unrealized loss on long-term investments in shares of stock (a deduction account in shareholders' equity) are made when the market value of an investment is lower than its carrying value. If decline in value of the stock investment is determined to be other than temporary, such decline in value is charged against current income. Cash dividends are recognized as income on the declaration date.

Unrealized profits or losses arising from transactions with equity investees or between equity investees are offset against investment income or loss from long-term investments, based on the percentage of ownership.

Properties

Properties, except for leased equipment, are stated at cost. Equipment held under capital leases are recorded as an asset and an obligation at an amount equal to the lower of: (i) the present value at the beginning of the lease term of the minimum lease payments during the lease term (including the payment called for under any bargain purchase option); or (ii) fair value of the leased equipment at the inception of the lease. Machinery in transit, construction in progress and prepayments under construction are stated at cost. These include the cost of machinery, construction, down payments and other direct costs plus interest charges attributable to the borrowings used to finance the acquisitions of these assets. Major renewals and improvements are capitalized, while maintenance and repairs are expensed currently.

Depreciation is computed using the straight-line method over estimated service lives which range as follows: long-term land leasehold rights, 60 years (lease period); buildings and improvements, 3 to 55 years; machinery and equipment, 3 to 8 years; furniture and fixtures, 1 to 15 years; transportation equipment, 3 to 8 years; and leased assets and leasehold improvements, 3 to 5 years. In the event that an asset depreciated to its residual value is deemed to have a continual useful life, the residual value is depreciated over the remaining life, not to exceed 2 years.

The Company reviews properties for impairment and determines whether an event or change in facts and circumstances indicated that their carrying amount may not be recoverable. Impairment losses on properties are recorded as an operating expense and included in general and administrative expenses.

When properties are retired or disposed of, their costs and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income. Prior the January 1, 2001 the gain, after deducting applicable income tax, was reclassified to capital surplus at the end of the year.

Deferred Charges

Deferred charges are amortized using the straight-line method as follows: tools, 2 years; license fees, 2 years; telecommunications, electrical, computer network systems, 5 years; bond issuance cost, 4 years; and others, 2 to 5 years.

Consolidated Debits

The consolidated debits as shown in the balance sheet represent goodwill arising from acquisitions or investments in the consolidated subsidiaries and are amortized on the straight-line method over 10 years.

Pension Cost

Pension cost is recorded based on actuarial calculations. Provisions for pension costs are accrued based on actuarially determined amounts which include service costs, interest, amortization of unrecognized net obligation and expected return on pension assets.

An additional accrued pension cost must be recognized if the accumulated benefit obligation exceeds the fair value of plan assets. The debit is either to an other asset-deferred pension cost or to a contra account to shareholders' equity entitled unrecognized pension cost. If the debit is less than unamortized balances of transition obligation, it is reported as an intangible asset. If the debit is greater than unamortized balances of transition obligation, the excess debit is reported as contra account to shareholders' equity.

Convertible Bonds

Conversion of convertible bonds into common shares is accounted for by the book value method. Under this method, unamortized bond issuance cost, accrued interest no longer payable and the carrying value of the bond are written off. In addition, common shares are recorded at the par value of the shares issued and the excess is recorded as capital surplus.

Revenue Recognition

Revenues from semiconductor packaging services that the Company provides are recognized upon shipment. Revenues from semiconductor testing services that the Company provides are recognized upon completion of the services. The Company does not take ownership of: (i) bare semiconductor wafers received from customers that the Company packages into finished semiconductors, and (ii) packaged semiconductors received from customers that the Company tests as to whether they meet certain performance specifications. The title and risk of loss remains with the customer for those bare semiconductors and/or packaged semiconductors. Accordingly, the cost of customer-supplied semiconductors materials is not included in the accompanying consolidated financial statements. Other criteria that the Company uses to determine when to recognize revenue are: (i) existence of persuasive evidence of the services provided, (ii) the selling price is fixed or determinable and (iii) collectibility is reasonably assured. The Company does not provide warranties to its customers except only in cases of defects in the packaging services provided and deficiencies in testing services provided. An appropriate sales allowance, based on historical experience, is recognized in the period the sale is recognized.

Income Tax

Tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, while those taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets based on the estimated realizability.

Adjustments of prior years' income tax are added to or deducted from the current year's tax provision.

Income taxes on undistributed earnings (10%) as determined by tax authority generated in 1998 and onwards for consolidated entities in the ROC are recorded as expense in the following year when the shareholders have resolved that the earnings shall be retained.

Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

The Company and its subsidiaries maintain their accounts in the currency of their respective countries of incorporation (local currencies) and functional currencies.

Foreign currency transactions, other than foreign currency forward exchange contracts, are recorded in the local currencies at the rates of exchange in effect when the transactions occur.

Gains or losses resulting from the application of different foreign exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement. Year-end balances of foreign currency assets and liabilities are restated based on prevailing exchange rates and the resulting differences are credited or charged to income.

The financial statements of the foreign subsidiaries are translated into NT dollars at the following rates: Assets and liabilities, current rate; and income and expenses, average exchange rate during the year. The net resulting translation adjustment is reported as a separate component of shareholders' equity.

Derivative Financial Instruments

Premiums or discounts on foreign currency forward exchange contracts which have been acquired to manage the risk associated with assets and liabilities denominated in foreign currencies arising from the difference between the forward rate and the spot rate at the date of each contract are deferred and amortized over the contract period. At year end, the balances of the forward exchange receivables or payables are restated based on prevailing exchange rates and the resulting gain or loss is credited or charged to income. Any exchange gain or loss when the contract is settled is also credited or charged to income. The difference between receivable and payable balances arising from forward exchange contracts is accounted for as either current asset or current liability.

Written option contracts to purchase foreign currencies and cross currency swap contracts entered into for hedging purposes are not recorded as assets or liabilities on the contract dates. Gains or losses upon settlement are credited or charged to income. Amounts received or paid are amortized over each contract period. At year end, the outstanding written option contracts and cross currency swap contracts are marked to market with charges to current income.

Interest rate swap contracts to limit the impact of the variable interest rate of certain long-term debt are not recorded as assets or liabilities on the contract date. The differential between fixed and variable rates to be paid or received on swaps is accrued as interest rates change in accordance with the contracts and is included in current interest income or expense.

U.S. Dollar Amount

The Company prepares its consolidated financial statements in NT dollars. Translations into U.S. dollars for 2003 financial statements are included solely for the convenience of the reader, and are based on the U.S. Federal Reserve Bank of New York noon buying rate of NT\$33.99 to US\$1.00 in effect at December 31, 2003. The convenience translations should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

3. SHORT-TERM INVESTMENTS

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Mutual funds	2,025,957	3,012,264	88,622
Stocks	5,305	5,895	173
Commercial paper	552,416	-	-
Convertible bonds	<u>10,000</u>	<u>391</u>	<u>12</u>
	2,593,678	3,018,550	88,807
Allowance for loss	(<u>3,242</u>)	(<u>771</u>)	(<u>23</u>)
	<u>2,590,436</u>	<u>3,017,779</u>	<u>88,784</u>

4. ACCOUNTS RECEIVABLE

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Accounts receivable	9,229,641	13,180,553	387,778
Allowance for doubtful accounts (Note 2)	(300,713)	(337,311)	(9,924)
Allowance for sales allowances (Note 2)	(43,049)	(45,107)	(1,327)
	<u>8,885,879</u>	<u>12,798,135</u>	<u>376,527</u>

The change in allowance for doubtful accounts and sales allowances are as follows:

	Doubtful	Sales
	Accounts	Allowances
	NT\$	NT\$
Balance, beginning of 2001	314,243	38,676
Additions	15,619	65,010
Deductions	(43,386)	(50,060)
Balance, end of 2001	286,476	53,626
Additions	67,567	18,256
Deductions	(53,330)	(28,833)
Balance, end of 2002	300,713	43,049
Additions	95,853	111,165
Deductions	(59,255)	(109,107)
Balance, end of 2003	<u>337,311</u>	<u>45,107</u>
	<u>US\$</u>	<u>US\$</u>
Balance, beginning of 2003	8,847	1,266
Additions	2,820	3,271
Deductions	(1,743)	(3,210)
Balance, end of 2003	<u>9,924</u>	<u>1,327</u>

5. INVENTORIES

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Raw materials	1,999,267	3,365,079	99,002
General supplies and spare parts	508,736	573,240	16,865
Work in process	436,872	637,692	18,761
Finished goods	333,427	399,699	11,759
Supplies in transit	66,107	29,620	872
	<u>3,344,409</u>	<u>5,005,330</u>	<u>147,259</u>
Allowance for obsolescence	(212,757)	(313,559)	(9,225)
	<u>3,131,652</u>	<u>4,691,771</u>	<u>138,034</u>

The movement of allowance for obsolescence is as follows:

	<u>NT\$</u>
Balance, beginning of 2001	155,061
Additions	131,197
Deductions	(65,710)
Balance, end of 2001	220,548
Additions	34,379
Deductions	(42,170)
Balance, end of 2002	212,757
Additions	240,844
Deductions	(140,042)
Balance, end of 2003	<u>313,559</u>
	<u>US\$</u>
Balance, beginning of 2003	6,259
Additions	7,086
Deductions	(4,120)
Balance, end of 2003	<u>9,225</u>

6. LONG-TERM INVESTMENTS

	<u>December 31</u>				
	<u>2002</u>		<u>2003</u>		
	<u>NT\$</u>	<u>% of Direct Owner- ship</u>	<u>NT\$</u>	<u>US\$</u>	<u>% of Direct Owner- ship</u>
<u>Equity method</u>					
Common stock					
Universal Scientific Industrial Co., Ltd. (Note 8)	3,422,186	23.5	3,342,455	98,336	23.6
Hung Ching Development & Construction Co.	1,140,427	26.4	1,012,399	29,785	26.4
Hung Ching Kwan Co.	404,513	27.3	406,131	11,949	27.3
Inprocomm, Inc.	-	-	7,678	226	32.1
Universal Access Technology Inc.	-	25.0	-	-	25.0
Preferred stock					
Intergrated Programmable Communication, Inc.	<u>85,870</u>	30.0	<u>52,599</u>	<u>1,548</u>	30.0
	5,052,996		4,821,262	141,844	
Unrealized gain on sale of land	(300,149)		(300,149)	(8,831)	
	<u>4,752,847</u>		<u>4,521,113</u>	<u>133,013</u>	
<u>Cost method</u>					
Taiwan Fixed Network Co., Ltd.	1,500,000	1.6	1,500,000	44,130	1.6
InveStar Burgeon Venture Capital, Inc.	160,732	13.0	83,228	2,449	13.0
Global Strategic Investment, Inc.	69,540	2.5	67,940	1,999	2.5
Digital Communications International Inc.	40,000	12.0	50,167	1,476	15.0
UC Fund II	34,770	-	33,970	999	-
Crimson@Velocity Fund, L.P.	<u>8,845</u>	-	<u>21,237</u>	<u>625</u>	-
	<u>1,813,887</u>		<u>1,756,542</u>	<u>51,678</u>	
Prepaid for long-term investments—ASE-Compeq Technologies, Inc.	-	-	<u>12,000</u>	<u>353</u>	
Other long-term investment—Asset Backed Security	-	-	<u>50,000</u>	<u>1,471</u>	
Other financial assets	-	-	<u>3,140</u>	<u>93</u>	
	<u>6,566,734</u>		<u>6,342,795</u>	<u>186,608</u>	

From February 1999 to April 2000, the Company acquired shares of Universal Scientific Industrial Co., Ltd. (“USI”) from the stock market. As of December 31, 2003, the Company has an accumulated total investment cost of NT\$3,838,368 (US\$112,926). USI is engaged in the manufacturing, processing and sales of computer peripherals, integrated circuits, electrical parts, personal computers and related accessories. USI declared stock and cash dividends in 2001 for NT\$1.30 and NT\$0.25 per share, respectively. As of December 31, 2003, the undistributed earnings of USI are NT\$776,285 (US\$22,839).

From March 1995 to February 1999, the Company acquired shares of Hung Ching Development & Construction Co. (“HCDC”) from the stock market. As of December 31, 2003, the Company has an accumulated total investment cost of NT\$2,845,912 (US\$83,728). HCDC is engaged in the development and management of commercial, residential and industrial real estate properties in Taiwan. As of December 31, 2003, the accumulated loss of HCDC is NT\$887,085 (US\$26,098).

The Company acquired its 27.3% equity interest in Hung Ching Kwan Co. (“HCKC”) in 1992 by transferring to HCKC a parcel of land as an investment in HCKC at an agreed value of NT\$390,470. The resulting gain of NT\$300,149, which represents the excess of such value over the cost of the land plus land value increment tax, has been deferred until the disposal of this investment. As of December 31, 2003, the Company has a 44.1% effective interest in HCKC, which consists of 27.3% interest directly owned by the Company, and 16.8% interest indirectly owned through HCDC (based on HCDC’s 63.5% interest in HCKC). HCKC did not declare dividends in 2002 and 2003. As of December 31, 2003, the undistributed earnings of HCKC are NT\$51,592 (US\$1,518).

The Company invested in Inprocomm, Inc. (“Inprocomm”) in May 2003 with capital of NT\$52,000 (US\$1,530) and directly acquired its 32.1% equity interest. In addition, USI, Integrated Programmable Communication, Inc. (“IPC”) and Global Strategic Investment, Inc. have 17.3%, 0.6% and 8.6% equity interests in Inprocomm, respectively. Inprocomm is engaged in the design of semiconductors for wireless communication applications. As of December 31, 2003, the accumulated loss of Inprocomm is NT\$138,081 (US\$4,062).

The Company invested in Universal Access Technology Inc. (“UAT”) in December 2000 and directly acquired its 25.0% equity interest. In addition, HCDC and USI have 10.0% and 25.0% equity interest in UAT, respectively. Accordingly, as of December 31, 2003, the Company has a 33.3% effective interest in UAT. UAT had a negative net worth as of December 31, 2002 and accordingly, the carrying value of this investment had been written off.

In December 2000, the Company invested in convertible preferred stock issued by IPC. As of December 31, 2003, the Company and its subsidiary, J&R Holding, has made total investments of US\$5.2 million, and own a 30.0% stake in IPC. In addition, USI has 16.1% equity interest in IPC. IPC is engaged in the design of semiconductors for wireless communication applications.

On October 27, 2003, the Company entered into a joint venture agreement with Compeq to establish ASE-Compeq Technologies, Inc. (“ASE-Compeq”), which will initially focus on the design and production of interconnect materials for packing semiconductors. Pursuant to the joint venture agreement, the Company will own 60% of the equity interest. As of December 31, 2003, the Company has made total investments of NT\$12,000 (US\$353) as prepayments. ASE-Compeq is currently in the pre-operating phase.

The Company recorded net investment losses of NT\$1,246,836 in 2001, NT\$410,348 in 2002 and NT\$240,656 (US\$7,080) in 2003, respectively, from its investments in the aforementioned equity-method investees.

7. PROPERTIES

Accumulated depreciation consists of:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Buildings and improvements	2,844,317	3,734,503	109,871
Machinery and equipment	35,399,098	42,959,968	1,263,900
Transportation equipment	71,622	66,463	1,955
Furniture and fixtures	842,146	1,044,699	30,736
Leased assets and leasehold improvements	543,397	466,688	13,730
Long-term land leasehold rights	8,739	9,614	283
	<u>39,709,319</u>	<u>48,281,935</u>	<u>1,420,475</u>

Certain machinery and equipment related to the testing business of ASE Test and ISE Labs were impaired during 2002. As a result, an impairment loss of NT\$1,225,555 (US\$36,056) was recognized and included in general and administrative expenses in 2002.

Interest capitalized and included as cost of properties amounted to NT\$100,453, NT\$145,985 and NT\$149,051 (US\$4,385) for the years ended December 31, 2001, 2002 and 2003, respectively.

Machinery in transit pertains to the purchase of packaging, testing and substrate equipment that has been received but is not ready for use. Prepayments are payments made to purchase machinery with non-cancellable purchase orders.

Machinery in transit and prepayments consist of the following:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Bonders	649,783	457,944	13,473
Testers	845,585	2,726,211	80,206
Bumping	664,897	833,639	24,526
Flip Chip	355,220	503,225	14,805
Substrate	1,218,039	19,640	578
Others	2,048,642	1,652,954	48,630
	<u>5,782,166</u>	<u>6,193,613</u>	<u>182,218</u>

8. CONSOLIDATED DEBITS

These represent goodwill arising from the purchases of:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
ASE Test shares	2,701,189	2,212,135	65,082
ISE Labs shares	2,514,629	2,113,500	62,180
ASE Korea shares	325,990	270,599	7,961
	<u>5,541,808</u>	<u>4,596,234</u>	<u>135,223</u>

Amortization of goodwill is reflected in general and administrative expenses in the consolidated statement of income and was NT\$692,919, NT\$815,573 and NT\$819,253 (US\$24,103) for the years ended December 31, 2001, 2002 and 2003, respectively.

As of December 31, 2002 and 2003, unamortized goodwill for USI was NT\$1,431,142 and NT\$1,210,542 (US\$35,615), respectively.

9. SHORT-TERM BORROWINGS

	December 31				
	2002		2003		
	Interest Rate (%)	NT\$	Interest Rate (%)	NT\$	US\$
Letters of credit	0.88-5.45	1,748,209	0.86-3.60	2,967,178	87,296
Revolving	2.00-7.00	<u>2,155,785</u>	1.32-6.00	<u>2,081,052</u>	<u>61,225</u>
		<u>3,903,994</u>		<u>5,048,230</u>	<u>148,521</u>

As of December 31, 2003, unused credit lines for short-term borrowings, including commercial paper and bank acceptances, totaled approximately NT\$7,654,000 (US\$225,184).

10. COMMERCIAL PAPER AND BANK ACCEPTANCES PAYABLE

Commercial paper and bank acceptances payable bore interest rates ranging from 1.55% to 3.65% in 2002 and 1.10% to 2.35% in 2003, respectively.

11. LONG-TERM BONDS PAYABLE

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Foreign convertible bonds—issued by ASE	-	6,794,000	199,882
Foreign convertible notes—issued by ASE Test Finance	3,820,875	-	-
Accrued interest	<u>1,358,918</u>	<u>67,232</u>	<u>1,978</u>
	<u>5,179,793</u>	<u>6,861,232</u>	<u>201,860</u>

Information on the long-term bonds payable is follows:

Foreign Convertible Bonds—Issued by the Company

In September 2003, the Company issued US\$200,000 (NT\$6,798,000) of unsecured zero coupon convertible bonds due September 2008, consisting of 200,000 units with face values of US\$1 each. The bonds had an implied interest rate of 3.75%.

From the date after issuing date 30 days through the date before due date 10 days, the bondholders had the right to convert the bonds into the Company's common shares or ADS at the specified conversion price. The conversion rate was based on the current market price at the time of sale.

the Company may redeem the bonds at the redemption price if:

- a. On or at any time after September 2007, the closing price of the common shares for a period of 20 consecutive trading days is higher than 130% of the conversion price (NT\$37.716 per share at December 31, 2003) in effect on each such trading day and
- b. at least 90% of the bonds have already been converted, redeemed, or purchased and cancelled.
- c. if the applicable tax law is unfavorably changed, redeem at any time all, but not some, of the bonds.

In November 1997, the Company issued US\$200.0 million of zero coupon convertible bonds due November 2002. Except for US\$1.0 million aggregate principal amount of convertible bonds that were converted into 355,086 common shares during 2001, the remaining US\$199.0 million aggregate principal amount of the outstanding bonds were repurchased from the open market and cancelled in 2001 and 2002. During 2001, the Company repurchased US\$131.0 million in aggregate principal amount of the outstanding bonds from the open market with payments of NT\$6,066,042, which resulted in an extraordinary loss of NT\$144,565 (net of income tax benefit of NT\$48,188). During 2002, the Company repurchased US\$68.0 million in aggregate principal amount of the outstanding bonds from the open market with payments of NT\$3,242,110, which resulted in an extraordinary loss of NT\$34,613 (net of income tax benefit of NT\$11,538).

Foreign Convertible Notes—Issued by ASE Test Finance

In June 1999, ASE Test, in connection with the acquisitions of ISE Labs and Motorola SPS Businesses, issued US\$160.0 million of 1% guaranteed convertible bonds due July 1, 2004 through its subsidiary, ASE Test Finance. The Company subscribed US\$50.0 million of the convertible bonds and, accordingly, the net balance of US\$110,111 (NT\$3,742,673) is recorded in the accompanying balance sheet as of December 31, 2002. On August 19, 2003, ASE Test Finance redeemed and cancelled the total outstanding, convertible notes with payments of NT\$4,908,389 (US\$144,407), which resulted in an extraordinary loss of NT\$75,668 (US\$2,226).

Under ROC GAAP, the loss incurred of NT\$75,668 (US\$2,226), as a result of the early redemption and cancellation of the convertible notes was recorded as an extraordinary loss. Under US GAAP, the loss would not qualify as extraordinary and would have been included in other expenses.

12. LONG-TERM DEBTS

Long-term debts consist of the following:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Mortgage bank loans for purchase of building and machinery	7,281,200	6,266,559	184,365
Revolving bank loans and acceptances payable	11,019,162	14,314,818	421,148
Bank loans secured by assets	1,724,760	2,025,672	59,596
Letters of credit loans for purchase of materials and machinery	2,719,490	1,662,152	48,901
Loans for redemption of convertible bond	6,000,000	5,095,500	149,912
	<u>28,744,612</u>	<u>29,364,701</u>	<u>863,922</u>
Current portion	6,008,709	5,491,389	161,559
	<u>22,735,903</u>	<u>23,873,312</u>	<u>702,363</u>

Mortgage Bank Loans for Purchase of Building and Machinery

Mortgage bank loans obtained by the Company, ASE Test, Inc., ASE Chung Li, and ASE Material are repayable in monthly, quarterly or semi-annually installments. The loans bear interest at rates ranging from 3.00% to 7.92% in 2002 and 1.82% to 7.92% in 2003, respectively.

ASE Chung Li has a syndicated loan agreement with a total facility of NT\$4,000,000, which will be repayable through May 2006. As of December 31, 2002, NT\$1,600,000 (US\$47,073) of the total facility had been drawn. The remaining NT\$2,400,000 (US\$70,609) available under the facility had not been drawn and, under the terms of the agreement, expired in November 2002. The agreement requires that, among other things, ASE Chung Li maintains certain financial ratios. As of December 31, 2003, ASE Chung Li was in compliance with the required covenants.

Revolving Bank Loans and Acceptance Payables

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Syndicated bank loans—interest at 2.14%-5.90% in 2002 and 2.15%-2.53% in 2003			
ASE	5,200,000	8,050,000	236,835
ASE Test, Inc.	300,000	-	-
Revolving credit lines due April 2004 to June 2008—interest at 1.85%-4.88% in 2002 and 1.03%-5.05% in 2003			
ASE	4,920,030	4,388,760	129,119
Others	<u>606,341</u>	<u>1,876,260</u>	<u>55,200</u>
	11,026,371	14,315,020	421,154
Unamortized discounts	(<u>7,209</u>)	(<u>202</u>)	(<u>6</u>)
	<u>11,019,162</u>	<u>14,314,818</u>	<u>421,148</u>

The five-year syndicated bank loan of NT\$5.2 billion of the Company due in June 2004 was repaid in January 2003, with proceeds the Company obtained from a new long-term credit line of NT\$7.0 billion.

The January 2003 syndicated bank loan of NT\$7.0 billion is repayable in three semi-annual installments from December 2004 to December 2005, but the Company made an early payment in the amount of NT\$3.35 billion in October 2003.

The remaining NT\$3.65 billion will be repayable upon the original payment schedule. The other syndicated bank loan of NT\$7.0 billion obtained in 2003 by the Company is repayable in seven semi-annually installments from September 2005 to September 2008. As of December 31, 2003, NT\$4.4 billion of the total facility had been drawn.

The agreement requires, among other things, the following:

- a. Without the prior written consent from the majority of the banks, ASE may not:
 - 1) Pledge its assets or assume liabilities or change the scope of its operations or dispose material assets; or
 - 2) Merge or combine with any other entity or make investments or acquire major assets of any other entity over 25 billion.

- b. The Company's tangible net worth (as defined in a loan agreement) should not be less than NT\$38.0 billion (US\$1,118 million).
- c. Maintenance by the Company of certain financial ratios.

Bank Loans Secured by Assets

These include various bank loans obtained by ISE Labs which are secured by ISE Labs' total assets (see Note 19). The loans are repayable in May 2009, and bear interest from 5.50% to 7.92% in 2001 and 4.75% to 7.75% in 2002, respectively. These agreements contain certain covenant and default provisions that require ISE Labs to maintain certain financial ratios, dividend and capital expenditure restrictions and maintenance of working capital requirements. ISE Labs was in violation of covenants under a US\$10.0 million bank loan agreement to maintain certain monthly and quarterly financial ratios for the months from October 2002 through February 2003. These breaches constituted events of default and, as a result, the bank declared all of ISE Labs' obligations under the agreement immediately due and payable. Accordingly, the long-term debt portion of US\$10.0 million was included in the current portion of long-term debt at December 31, 2002. ISE Labs subsequently obtained a waiver of the aforementioned breaches from the bank, repaid all of the amounts owed under the loan and terminated the loan agreement.

These also include various bank loans obtained by ASE Korea which are secured by ASE Korea's land, buildings and improvements, and machinery and equipment (see Note 19). The loans are repayable in July 2009 and bear interest from 3.70% to 4.30% in 2002 and 3.15% to 3.87% in 2003, respectively.

Letters of Credit Loans for Purchase of Materials and Machinery

These represent various bank loans obtained by the Company with original terms of one year or less, due from March 2004 through July 2004 with interest rates ranging from 0.86% to 5.45% in 2002, 0.83% to 1.61% in 2003. The Company and ASE Material have received permission from the relevant banks to refinance some of these loans on the same terms.

Loans for Redemption of Convertible Bonds

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
ASE	6,000,000	-	-
ASE Test Finance	-	<u>5,095,500</u>	<u>149,912</u>
	<u>6,000,000</u>	<u>5,095,500</u>	<u>149,912</u>

The loan obtained in 2001 by the Company which was specified for use in the redemption of the Company's convertible bonds (Note 11) was repayable in semi-annual installments starting June 2003 to December 2004. The Company had repaid all of the amounts owed under the loan at October 2003. The interest rate on the loans was 5.79% in 2002 and 2003.

The loan obtained in 2003 by ASE Test Finance which specified for use in the redemption of its convertible bonds issued in 1999 (Note 11) is repayable in semi-annual installments starting June 2005 to June 2008 and bears interest is 2.24%. The funds were drawn in June 2003 and shown as restricted bank deposit on consolidated balance sheets as of June 30, 2003. The Company, ASE Test and ASE Test, Inc. provided guarantees for ASE Test Finance's payment obligations under the facility. Under the guaranty, ASE Test is required to maintain certain financial ratios and the tangible net worth of ASE Test shall not be less than US\$400 million at any time.

The abovementioned bank loan contracts have variable interest rates and are subject to adjustments by banks or changes in prime rate. In addition, several of the loan agreements have default provisions, whereby a default under one debt agreement may also trigger cross-defaults under other debt agreements.

As of December 31, 2003, unused long-term bank facilities approximated NT\$3,622,149 (US\$106,565).

As of December 31, 2003, the maturities of long-term bonds payable and long-term debts are as follows:

	<u>Amount</u>	
	<u>NT\$</u>	<u>US\$</u>
Within the following year	5,656,001	166,402
During the second year	8,052,538	236,909
During the third year	6,220,416	183,007
During the fourth year	4,019,570	118,257
During the fifth year and thereafter	<u>12,547,537</u>	<u>369,154</u>
	<u>36,496,062</u>	<u>1,073,729</u>

Long-term debt and long-term bonds payable by currencies are detailed as follows:

	<u>December 31</u>	
	<u>2002</u>	<u>2003</u>
New Taiwan dollars	NT\$24,122,910	NT\$18,322,350
U.S. dollars	US\$ 246,194	US\$ 519,805
Japanese yen	¥ 5,460,363	¥ 1,622,970
European currency unit	EUR 2,986	EUR -

13. PENSION PLANS

The Company and its consolidated subsidiaries in the ROC have pension plans for their regular employees. Retirement benefits are based on the length of service and average salaries or wages of the last six months before retirement. ISE Labs has a defined contribution savings plan ("401k plan") for eligible employees. This plan permits employees to make contributions up to the maximum limits allowable under Internal Revenue Code Section 401k. ASE Test Malaysia also has a defined contribution plan. In addition, ASE Korea has a pension plan where eligible employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with ASE Korea, based on their length of service and rate of pay at the time of termination. The consolidated entities in the ROC make monthly contributions, at a specified percentage of salaries and wages, to pension funds which are in the name of, and are administered by, the employee pension plan committee of the respective entities and are deposited in the Central Trust of China (the "CTC"), a government agency. CTC may invest the assets of the plan assets in stocks, bonds and other securities. The changes in the retirement funds during the periods indicated are summarized as follows:

	<u>Year Ended December 31</u>			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
Balance, beginning of year	339,500	440,746	535,412	15,752
Contributions	89,615	83,996	113,077	3,327
Payments	(3,654)	(145)	(8,803)	(259)
Interest income	<u>15,285</u>	<u>10,815</u>	<u>9,349</u>	<u>275</u>
Balance, end of year	<u>440,746</u>	<u>535,412</u>	<u>649,035</u>	<u>19,095</u>

The plan assets deposited in the CTC allocations at December 31, 2003, by category, are as follows:

<u>Type of Investment</u>	<u>Allocation(%)</u>
Cash	45
Government Loan	12
Equity	27
Notes	15
Bond	<u>1</u>
	<u>100</u>

Pension costs for these entities consist of:

	<u>Year Ended December 31</u>			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
Service costs	114,393	191,707	238,560	7,019
Interest	28,503	36,102	43,312	1,274
Projected return on pension assets	(21,611)	(23,003)	(19,413)	(571)
Amortization of prior period service cost, gain or loss on plan assets, etc.	<u>6,933</u>	<u>4,176</u>	<u>11,161</u>	<u>328</u>
	<u>128,218</u>	<u>208,982</u>	<u>273,620</u>	<u>8,050</u>

Other pension information based on actuarial calculations of the plan during the periods indicated are as follows:

	<u>Year Ended December 31</u>		
	<u>2002</u>	<u>2003</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
a. Benefit obligations			
Vested benefit obligation	21,347	63,229	1,860
Non-vested benefit obligation	<u>738,300</u>	<u>971,450</u>	<u>28,581</u>
Accumulated benefit obligation	759,647	1,034,679	30,441
Additional benefits based on future salaries	<u>486,056</u>	<u>642,098</u>	<u>18,891</u>
Projected benefit obligation	1,245,703	1,676,777	49,332
Fair value of assets	(<u>507,098</u>)	(<u>619,260</u>)	(<u>18,219</u>)
Funded status	738,605	1,057,517	31,113
Unrecognized net transition obligation	(104,105)	(96,979)	(2,853)
Unrecognized prior service cost	-	(15,247)	(449)
Unrecognized net actuarial loss	(210,955)	(368,778)	(10,850)
Additional pension cost	-	31,873	938
Portion in other current liabilities	(<u>6,874</u>)	(<u>21,100</u>)	(<u>621</u>)
Accrued pension cost	<u>416,671</u>	<u>587,286</u>	<u>17,278</u>
b. Vested obligation	<u>23,858</u>	<u>71,436</u>	<u>2,102</u>
c. Actuarial assumption			
Discount rate	3.50%	3.25%	
Increase in future salary level	3.00%	3.00%	
Expected rate of return on plan assets	3.50%	3.25%	

- d. The consolidated entities in the ROC expect to make contributions of \$ 110,268 to pension funds in 2004.
- e. Expected benefit payments:

Year of Payments

2004	\$ 4,705
2005	6,851
2006	14,829
2007	15,601
2008	33,176
2009 to 2053	8,983,570

Plan assets and obligations reflected herein were measured as of December 31, 2003.

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

14. SHAREHOLDERS' EQUITY

American Depositary Shares

In July 1995, the Company issued 8,600,000 GDSs, representing 43,000,000 common shares. In September 2000, the Company issued 20,000,000 ADSs, representing 100,000,000 common shares. In connection with the ADS offering in 2000, the Company offered to exchange all outstanding GDSs for ADSs listed on the New York Stock Exchange.

As of December 31, 2003, a portion of the outstanding ADSs were cancelled in exchange for approximately 340,440 thousand common shares of the Company, which represented 9.51% of the Company's total outstanding common shares (including treasury stock). As of December 31, 2003, the outstanding ADSs represented 2.50% of the Company's total outstanding common shares (including treasury stock).

Capital Surplus

Under the ROC Company Law, capital surplus from the paid-in capital in excess of par value can be used to offset a deficit. In addition, such capital surplus may be transferred to capital and is subject to a specified limit under relevant regulations.

Capital surplus from long-term investments in shares of stock which are accounted for by the equity method may not be used for any purpose.

Appropriation of Retained Earnings

The Company's Articles of Incorporation provide that the annual net income shall be appropriated as follows:

- a. offset against deficit, if any;
- b. 10.0% of the remainder as legal reserve, until the accumulated amount equals paid-in capital;
- c. an amount equal to the income from long-term investments in shares of stock accounted for by the equity method, excluding cash dividends, as special reserve;
- d. not more than 2.0% of the remainder, as compensation to directors and supervisors;

- e. between 5.0% to 7.0% of the remainder, as bonus to employees, of which 5.0% will be distributed in accordance with the employee bonus plan and the excess to be distributed to specific employees as decided by the board of directors; and
- f. the remainder, as dividends to shareholders.

The aforementioned appropriations shall be approved by the shareholders in the following year and given effect in the financial statements of such year.

Under the ROC Company Law, the aforementioned legal reserve may be used to offset a deficit. Also, when the reserve has reached 50.0% of capital, up to 50.0% thereof may be transferred to capital.

The appropriation of 2002 earnings, resolved by the Company's annual shareholders' meeting, was as follows:

	<u>Amount</u>	
	<u>NT\$</u>	<u>US\$</u>
Legal reserve	12,903	380
Compensations to directors and supervisors	2,280	67
Bonus to employees—cash	8,000	235
Stock dividends—NT\$0.03 per share	<u>97,644</u>	<u>2,873</u>
	<u><u>120,827</u></u>	<u><u>3,555</u></u>

The information related to appropriation of 2003 earnings may be accessed through the website of the Taiwan Stock Exchange.

Dividend Policy

In order to meet the needs of the Company's present and future capital expenditures, the Company's dividend distribution shall be primarily in the form of stock dividends. Cash dividends may also be distributed in certain circumstances. However, the percentage of cash dividends generally shall not exceed 20.0% in any dividend distribution, provided further that cash dividends shall not be paid if the dividend per share is less than NT\$0.1.

With respect to the percentage of cash dividends to be paid referred to in the preceding paragraph, the Company may decide the most suitable dividend distribution in accordance with its current operational status, and taking into consideration the budget plan for the following year. The board of directors shall propose a profit distribution plan, which shall be submitted to the shareholders' meeting for approval before implementation.

Imputation Tax System

Under the Integrated Income Tax System which became effective on January 1, 1998, non-corporate resident shareholders are allowed a tax credit for the income tax paid or payable by the Company on earnings generated in 1998 and onwards. An Imputation Credit Account ("ICA") is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

As of December 31, 2003, the creditable taxes aggregated NT\$89,586 (US\$2,636). The actual percentage for the distribution of 2002 earnings and estimate percentage for the distribution of 2003 earnings were 20.35% and 4.40%.

Treasury Stock

Effective January 1, 2002, the Company reclassified the shares held by its subsidiaries with book value of NT\$2,639,826, representing 164,441,857 shares, from long-term investment to treasury stock.

In June 2003, the 163,789,144 of the above-mentioned shares were sold at NT\$2,850,524 (US\$83,864). The excess of NT\$220,735 (US\$6,494) over the book value of NT\$2,629,789 (US\$77,369) was recorded as capital surplus, while subsidiaries recorded the excess as investment income. As of December 31, 2003, the book value of treasury stock accounted for by the Company's shareholdings is NT\$10,037 (US\$295) (represents 717,984 shares) and the related market value is NT\$21,278 (US\$626). This transaction resulted in the increase in capital surplus of NT\$220,735 (US\$6,494), the decrease in treasury stock of NT\$2,629,789 (US\$77,369) and the increase in realized loss on long-term investment of NT\$354,787 (US\$10,438) as of December 31, 2003.

Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to exercise their rights on these shares, except for participation in additional capital increases through cash payment.

15. EMPLOYEE STOCK OPTION PLANS

In order to attract, retain and incentivize employees, the Company adopted an employee stock option plan, which became effective on August 28, 2002. Under this plan, each option entitles the holder to purchase one common share of the Company at a price equal to the closing market price on the date of the option grant. Forty percent of the options originally granted vest upon the second anniversary of the grant date, and an additional 10% of the options originally granted vest every six months thereafter. Each option expires at the end of the 10th year following its issue date. A total of 159,968,000 options have been issued, 145,989,000 of which were issued at an exercise price of NT\$18.90 (adjusted) per share and 13,979,000 of which were issued at an initial exercise price of NT\$24.60. The exercise price was equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the date of grant.

ASE Test has five stock option plans, the 1996 Executive Management Option Plan (the "1996 Plan"), and the 1997, 1998, 1999 and 2000 Option Plans. Stock options granted under these plans are exercisable for ASE Test ordinary shares based on a vesting schedule over five to ten years until the options expire. The Company applies U.S. GAAP to the accounting for stock options granted under these plans (See Note 26e).

16. PERSONNEL EXPENDITURE, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2002			Year Ended December 31, 2003			
	Cost of Revenues	Operating Expense	Total	Cost of Revenues	Operating Expense	Total	
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
Personnel							
Salary	5,598,134	1,727,156	7,325,290	7,206,380	2,024,201	9,230,581	271,568
Pension cost	204,531	61,220	265,751	246,172	79,888	326,060	9,593
Meal allowance	196,162	30,750	226,912	228,783	36,951	265,734	7,818
Welfare	13,738	3,636	17,374	25,300	7,120	32,420	954
Labor and health insurance	362,116	126,383	488,499	476,816	153,492	630,308	18,544
Others	<u>329,096</u>	<u>204,684</u>	<u>533,780</u>	<u>371,245</u>	<u>246,578</u>	<u>617,823</u>	<u>18,176</u>
	<u>6,703,777</u>	<u>2,153,829</u>	<u>8,857,606</u>	<u>8,554,696</u>	<u>2,548,230</u>	<u>11,102,926</u>	<u>326,653</u>
Depreciation	11,366,882	474,449	11,841,331	11,516,968	693,942	12,210,910	359,250
Amortization	160,291	284,704	444,995	377,623	178,035	555,658	16,348

17. INCOME TAX

a. Income tax benefit is summarized as follows:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Tax (benefit) based on pre-tax accounting income (loss) at statutory rate	(579,651)	(950,597)	604,102	17,773
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income				
Tax holiday	(26,413)	(52,126)	(481,214)	(14,158)
Gain from sales of securities	(31,711)	(16,798)	(10,357)	(305)
Temporary differences				
Investment loss	814,148	793,812	131,560	3,871
Unfunded pension cost	7,842	24,239	86,255	2,538
Bond interest payable	(189,164)	(163,289)	16,776	494
Other	<u>156,866</u>	<u>629,545</u>	<u>(184,453)</u>	<u>(5,427)</u>
	151,917	264,786	162,669	4,786
Income taxes on undistributed earnings	335,065	54,598	170,281	5,009
Credits for investments and research and development	(253,227)	(331,255)	(439,457)	(12,929)
Net change in deferred income tax for the period	(449,933)	(1,130,358)	(1,190,500)	(35,025)
Adjustment of prior year's income tax	<u>17,018</u>	<u>1,905</u>	<u>18,859</u>	<u>555</u>
	<u>(199,160)</u>	<u>(1,140,324)</u>	<u>(1,278,148)</u>	<u>(37,604)</u>

b. The above-mentioned taxes on pre-tax accounting income (loss) at the statutory rates for domestic and foreign entities are shown below:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Domestic entities in ROC (25% statutory rate)	(501,553)	(173,787)	750,348	22,078
Foreign entities				
ASE Korea (30.8% statutory rate)	-	-	74,806	2,199
ISE Labs (federal tax rate 35% and state tax rate 6%)	(92,487)	(725,744)	(209,911)	(6,176)
ASE Test Malaysia (30% statutory rate)	<u>14,389</u>	<u>(51,066)</u>	<u>(11,141)</u>	<u>(328)</u>
	<u>(579,651)</u>	<u>(950,597)</u>	<u>604,102</u>	<u>17,773</u>

c. Deferred income tax assets and liabilities are summarized as follows:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Current deferred income tax assets			
Unused tax credits	966,689	1,054,370	31,020
Provision for inventory obsolescence	38,212	50,475	1,485
Provision for doubtful accounts and sales allowance	23,305	33,754	993
Unrealized foreign exchange loss	49,351	65,118	1,916
Other	<u>29,884</u>	<u>29,752</u>	<u>875</u>
	1,107,441	1,233,469	36,289
Valuation allowance	(<u>23,000</u>)	(<u>8,968</u>)	(<u>264</u>)
Net current deferred income tax assets	<u>1,084,441</u>	<u>1,224,501</u>	<u>36,025</u>
Non-current deferred income tax assets			
Unused tax credits	2,324,529	3,101,039	91,234
Accrued pension costs	498,087	153,924	4,529
Loss carryforward	455,589	483,538	14,226
Investment income	(206,500)	(144,000)	(4,237)
Others	<u>(125,072)</u>	<u>120,387</u>	<u>3,542</u>
	2,946,633	3,714,888	109,294
Valuation allowance	(<u>1,765,860</u>)	(<u>1,484,659</u>)	(<u>43,679</u>)
Net non-current deferred income tax assets	<u>1,180,773</u>	<u>2,230,229</u>	<u>65,615</u>
Non-current liabilities			
Goodwill amortization	(<u>35,658</u>)	(<u>34,674</u>)	(<u>1,021</u>)

In assessing the realizability of deferred income tax assets, the Company considers its future taxable earnings and expected timing for the reversal of temporary differences. In addition, in the event future taxable earnings do not materialize, the Company will consider executing certain tax planning strategies available to realize the deferred income tax assets. The valuation allowance is provided to reduce the gross deferred income tax assets to an amount which the Company believes will more likely than not be realized. Deferred income tax assets and liabilities are classified in the consolidated balance sheets based on the classification of the related assets or liabilities or the expected timing of the reversal of temporary differences.

The U.S. Federal and California State net operating loss carryforward of ISE Labs as of December 31, 2003 approximated US\$11.6 million and US\$22.1 million with expiration period in 2023 and 2013, respectively.

A portion of the Company's and ASE Test, Inc.'s income from the manufacturing, processing and testing of semiconductors is exempt from income tax for five years ending December 2005 and 2007. ASE Test Malaysia has been granted pioneer status by Ministry of International Trade and Industry in Malaysia for five from July 1, 1999 to June 30, 2004. The per share effect of this tax holiday is NT\$0.01 in 2001, NT\$0.02 in 2002 and NT\$0.14 in 2003, respectively.

d. As of December 31, 2003, unused tax credits of ROC subsidiaries which can be utilized to offset their future income tax are set forth below:

Year of Expiry	December 31, 2003					
	ASE	ASE	ASE	ASE	Total	
	NT\$	Chung-Li NT\$	Material NT\$	Test, Inc. NT\$	NT\$	US\$
2004	296,870	122,824	230,676	308,056	958,426	28,198
2005	624,305	640	151,399	98,020	874,364	25,724
2006	523,654	106,391	200,806	233,824	1,064,675	31,323
2007	794,500	72,717	76,227	314,500	1,257,944	37,009
	<u>2,239,329</u>	<u>302,572</u>	<u>659,108</u>	<u>954,400</u>	<u>4,155,409</u>	<u>122,254</u>

In the ROC, the tax credits may be utilized to reduce up to 50% of income tax payable each year. In the expiring year, any remainder of unused tax credits can be used entirely.

Income tax returns of ASE and all its subsidiaries in Taiwan has been examined by the ROC tax authorities through 2000.

18. EARNINGS PER SHARE

Since the Company incurred a loss from continuing operations for the two years ended December 31, 2001 and 2002, and the Company's common share equivalents attributable to the employees' stock options had no dilutive effect in 2002, only the basic earnings (loss) per share and per ADS are presented.

The Company's common share equivalents attributable to the employee's stock options had dilutive effect in 2003.

The denominator is the weighted average number of outstanding shares of common stock of 3,537,048,918 shares in 2003, after giving effect to the ASE stock options.

The denominator is the above-mentioned weighted average outstanding shares divided by five (one ADS represents five common shares). The numerator is the same as mentioned in the above EPS calculation.

19. ASSETS PLEDGED OR MORTGAGED

The assets pledged or mortgaged as first priority collateral are summarized as follows:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Buildings and improvements	2,762,585	3,293,451	96,895
Machinery and equipment	8,629,757	8,832,549	259,857
Pledged time deposits	428,743	167,426	4,926
Guarantee deposit—time deposits	118,445	102,720	3,022
Short-term investment	260,120	90,000	2,648
Cash equivalents—commercial paper	552,416	-	-
	<u>12,752,066</u>	<u>12,486,146</u>	<u>367,348</u>

20. COMMITMENTS AND CONTINGENCIES
AS OF DECEMBER 31, 2003

- a. The Company, ASE Test, Inc., and ASE Material lease the land on which their buildings are situated under various operating lease agreements with the government expiring on various dates through September 2009 to 2012. The agreements grant these entities option to renew the leases and reserve the right for the lessor to adjust the lease charges upon an increase in the assessed value of the land and to terminate the leases under certain conditions. In addition, the Company, ASE Test, Inc., ASE Material and ISE Labs also lease equipment under non-cancellable capital lease agreements. The net book value as of December 31, 2002 and 2003 of the equipment acquired under the capital obligations amounted to NT\$506,637 and NT\$559,615 (US\$16,464), respectively. ASE Test, Inc., ASE Chuang Li and ASE Test Malaysia lease machinery and equipment under non-cancelable operating lease. ISE Labs also leases office building and equipment under non-cancellable operating lease agreements expiring in December 2010. The rental expenses for the years ended December 31, 2001, 2002 and 2003 were \$10,656, \$9,936 and \$10,427, respectively. The future minimum lease payments under the above-mentioned operating leases are as follows:

<u>Operating Leases</u>	<u>NT\$</u>	<u>US\$</u>
2004	998,410	29,374
2005	964,743	28,383
2006	760,860	22,385
2007	223,795	6,584
Thereafter	<u>371,037</u>	<u>10,916</u>
Total minimum lease payments	<u>3,318,845</u>	<u>97,642</u>

The future minimum lease payments under above-mentioned capital leases as of December 31, 2003 are as follows:

	<u>NT\$</u>	<u>US\$</u>
Within the following year	182,201	5,360
Within the second year	107,165	3,153
Within the third year	1,043	31
Within the fourth year	1,009	30
Within the fifth year	<u>688</u>	<u>20</u>
Total minimum lease payments	292,106	8,594
Less: Imputed interest	<u>21,977</u>	<u>647</u>
Present value of future lease obligations	270,129	7,947
Capital lease obligation, current	<u>164,612</u>	<u>4,843</u>
Capital lease obligation, long-term	<u>105,517</u>	<u>3,104</u>

- b. The Company, ASE Test, Inc., ISE, ASE Test Malaysia ASE Korea and ASE Chung Li engage outside sales agencies. Commissions and service fees were paid based on monthly incurred service-related costs and expenses plus certain percentage (there is limited amounts prescribed for costs and expenses incurred) or based on certain percentage of net export sales. Commissions and service fees paid in 2001, 2002 and 2003 were approximately NT\$729,300, NT\$734,322 and NT\$973,031 (US\$28,627), respectively.
- c. As of December 31, 2003, commitments to purchase machinery and equipment were approximately NT\$8,231,000 (US\$242,159).
- d. As of December 31, 2003, commitments for construction of buildings were approximately NT\$625,000 (US\$18,387).

- e. As of December 31, 2003, unused letters of credit were approximately NT\$1,692,000 (US\$49,779).
- f. The Company entered into technology license agreements with foreign companies which will expire on various dates through 2010 for the licensing of technology used in the packaging of certain products. Pursuant to such agreements, the Company shall pay royalties at a specified percentage of sales quantities. Such royalties in 2001, 2002 and 2003 were approximately NT\$151,249, NT\$176,711 and NT\$200,132 (US\$5,888), respectively. As of December 31, 2003, the Company had an accumulated total payments of US\$6,150.
- g. On October 28, 2003, the Company entered into a merger agreement with ASE Chung Li and ASE Material, pursuant to which ASE Chung Li and ASE Material will be merged with and into the Company with as the surviving corporation. Upon the completion of the merger, all of the assets and liabilities of ASE Chung Li and ASE Material will be owned and assumed by the Company, and the operations of ASE Chung Li and ASE Material will be integrated with the operations of the Company. The merger is to be consummated by means of a share exchange pursuant to which the respective shareholders (other than the Company) of ASE Chung Li and ASE Material will receive common shares of the Company in exchange for the common shares of each of ASE Chung Li and ASE Material. The Company expected to issue 282,315,437 common shares, or approximately 7.9% of outstanding shares as of October 28, 2003, in connection with the merger.

The merger agreement has been approved by the board of directors of each the Company, ASE Chung Li and ASE Material and by the shareholders of ASE Chung Li and ASE Material. Assuming receipt of all necessary approvals and consents, the Company expect that the merger will be completed by July 1, 2004.

- h. As of December 31, 2003, the Company has endorsed and guaranteed the promissory notes of its subsidiaries and its as follows:

	<u>NT\$</u>	<u>US\$</u>
ASE Test Finance Ltd.	5,095,500	149,912
ASE Material	2,440,860	71,811
ASE investment (Labuan)	2,038,200	59,965
HCDC	960,000	28,243
ASE Holding Electronics (Philippines), Incorporated	764,325	22,487
Omniquest Industrial Ltd.	339,700	9,994
ASE Chung Li	<u>475,580</u>	<u>13,992</u>
	<u>12,114,165</u>	<u>356,404</u>

21. SUBSEQUENT EVENTS

On February 3, 2004, the Company and J&R entered into a Shares Purchase Agreement with NEC Electronics Corporation and NEC Yamagata, Ltd. NEC Yamagata Ltd. will establish a new company and transfer all of its operating assets of its semiconductor business this new company, and then, J&R will purchase a 100% equity interest of this new company. In addition, the Company is in the process of negotiating a contract with NEC Electronics Corporation for the provision of packaging and testing services, to be provided by this new company.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Information on derivative transactions is as follows:

a. Foreign currency option contracts

Because the Company, ASE Test, Inc. and ASE Material expect to receive U.S. dollars from export sales and to pay Japanese yen or NT dollars to settle payables or long-term or short-term borrowings, these companies occasionally enter into foreign currency option contracts to manage their exposure to exchange rate fluctuations.

As of December 31, 2003, the outstanding contracts were show in Schedule I:

The loss arising from such outstanding contracts based on mark-to-market valuation as of December 31, 2003 was approximately NT\$7,162 (US\$211).

b. Forward exchange contracts

The Company entered into forward contracts to manage its exposure to foreign exchange rate fluctuations associated with its long-term debt and payables. As of December 31, 2003, there were no outstanding contracts. The gain or loss arising from such contracts for the year ended December 31, 2002 and 2003 was immaterial.

c. Cross currency swap contract

In October 2003, the Company entered into two cross currency swap contracts with a foreign bank to manage its exposure to interest rates and the effect of exchange rate fluctuations associated with its long-term bonds payable. These contracts will expire in April 2007 and September 2008, respectively. The term of these contracts, provide for a semi-annual exchange of interest payments, by two arranged interest rates, arising from an underlying nominal amount of US\$200,000.

The Company has net interest income of NT\$11,056 (US\$325) from these contracts in 2003, and which was offset against the bonds interest.

The loss arising from such contracts was approximately NT\$68,110 (US\$2,004) based on prevailing exchange rate at December 31, 2003.

d. Interest rate swap

In June 2002, the Company entered into two interest rate swap contracts with a foreign bank to manage exposures to interest rate fluctuations. These contracts would have expired in December 2004. In September 30, 2002, the Company settled these contracts and recorded net interest income of NT\$107,910.

e. Transaction risk

1) Credit risk

The Company is exposed to credit risk in the event of non-performance of the counter parties to forward contracts on maturity. In order to manage this risk, the Company transacts only with financial institutions with good credit ratings. As a result, no material losses resulting from counter party defaults are anticipated.

2) Market risk

Market risk is the exposure created by potential exposures to changes of foreign exchange rate related to its foreign-currency denominated assets and/or liabilities and changes on interest rates related to its obligations.

3) Liquidity risk and cash flow risk

The Company entered into European option contracts and forward exchange contracts to manage its exposure to the effect of exchange rate fluctuations on net assets or net liabilities. As the Company has sufficient operating capital to meet cash requirements upon the maturity of these contracts, the Company believes there are no significant liquidity or cash flow risks.

23. NON-DERIVATIVE AND DERIVATIVE FINANCIAL INSTRUMENTS

	December 31					
	2002		2003			
	Carrying Values NT\$	Fair Values NT\$	Carrying Values NT\$	Fair Values NT\$	Carrying Values US\$	Fair Values US\$
<u>Non-derivative financial instruments</u>						
Assets						
Cash and cash equivalents	9,829,508	9,829,508	8,562,425	8,562,425	251,910	251,910
Short-term investments	2,590,436	2,592,482	3,017,779	3,023,055	88,784	88,940
Notes receivable	112,667	112,667	111,596	111,596	3,283	3,283
Accounts receivable	8,885,879	8,885,879	12,798,135	12,798,135	376,526	376,526
Long-term investments	6,566,734	4,297,778	6,339,655	4,736,368	186,515	139,346
Pledged time deposit	428,743	428,743	167,426	167,426	4,926	4,926
Guarantee deposit	170,064	170,064	359,908	359,908	10,589	10,589
Liabilities						
Short-term borrowings	3,903,994	3,903,994	5,048,230	5,048,230	148,521	148,521
C/P and B/A payable	2,384,577	2,384,577	1,075,965	1,075,965	31,655	31,655
Notes and Accounts payable	4,047,171	4,047,171	6,488,989	6,488,989	190,909	190,909
Accrued expense	1,839,423	1,839,423	1,839,276	1,839,276	54,112	54,112
Payables for properties	4,494,828	4,494,828	4,392,340	4,392,340	129,225	129,225
Long-term bonds payable	5,179,793	4,646,184	6,861,232	7,511,616	201,860	220,995
Long-term bank loan (included current portion)	28,744,612	28,744,612	29,364,701	29,764,701	863,922	863,922

(Continued)

	December 31					
	2002		2003			
	Carrying Values NT\$	Fair Values NT\$	Carrying Values NT\$	Fair Values NT\$	Carrying Values US\$	Fair Values US\$
Capital lease obligation (included current portion)	467,374	467,374	270,129	270,129	7,947	7,947
Long-term payable for investments (included current portion)	3,327,118	3,327,118	2,309,960	2,309,960	67,960	67,960

Derivative financial instruments

Forward exchange contracts	(5,781)	(5,781)	-	-	-	-
European options	39,141	39,141	(7,162)	(7,162)	(211)	(211)
Cross currency swap contract	-	-	(68,110)	(68,110)	(2,004)	(2,004)

The carrying values of cash and cash equivalents, notes receivable, accounts receivable, short-term borrowings, commercial paper and bank acceptance payables, notes and accounts payable approximate fair values because of the short maturity of these instruments. The fair values of short-term and long-term investments are determined based on market values or net equity values. The recorded or book value of pledged time deposit and guarantee deposits represents their fair value. The fair values of long-term bonds capital lease obligation and payables for investments are determined based on the market value or the estimated present value of future cash flows using the interest rates of similar debt instruments which the Company is able to obtain as the discount rate. Fair value of long-term bank loan is carrying value because floating interest rates are applied. The derivative financial instruments are recorded at their fair market values.

24. SEGMENT AND GEOGRAPHICAL INFORMATION

a. Geographical sales information

1) Net revenue:

	Year Ended December 31						
	2001		2002		2003		
	NT\$	% of Total Revenues	NT\$	% of Total Revenues	NT\$	US\$	
America	24,930,813	65	26,922,752	59	34,480,470	1,014,430	60
Taiwan	10,222,723	27	11,342,210	25	15,498,114	455,961	27
Europe	1,508,919	4	2,766,981	6	4,741,725	139,503	8
Asia and other areas	1,705,371	4	4,554,895	10	2,591,461	76,242	5
	<u>38,367,826</u>	<u>100</u>	<u>45,586,838</u>	<u>100</u>	<u>57,311,770</u>	<u>1,686,136</u>	<u>100</u>

2) Long-lived assets:

	December 31				
	2002		2003		
	NT\$	% of Total Long-lived Assets	NT\$	US\$	% of Total Long-lived Assets
Taiwan	47,958,294	76	52,020,556	1,530,466	77
Asia	13,288,531	21	14,442,830	424,914	22
America	1,842,045	3	876,561	25,789	1
	<u>63,088,870</u>	<u>100</u>	<u>67,339,947</u>	<u>1,981,169</u>	<u>100</u>

b. Major customers

Customers that account for 10% or more of total revenues are shown below:

	Year Ended December 31						
	2001		2002		2003		
	NT\$	% of Total Revenues	NT\$	% of Total Revenues	NT\$	US\$	
Customer A	7,164,415	19	7,703,767	17	5,815,933	169,614	10
Customer B	4,413,854	12	3,837,476	8	4,405,356	129,578	8

c. Reported segment information

The Company has three reportable segments: Packaging, Testing and Investing. The Company packages bare semiconductors into finished semiconductors with enhanced electrical and thermal characteristics; provides testing services, including front-end engineering testing, wafer probing and final testing services; and engages in investing activities. The accounting policies of the segments are the same as those described in Note 2. Segment information for the years ended December 31, 2001, 2002 and 2003 is as follows:

	<u>Packaging</u>	<u>Testing</u>	<u>Investing</u>	<u>All other</u>	<u>Total</u>
<u>2001</u>					
Revenue from external customer	NT\$ 28,928,185	NT\$ 9,637,615	NT\$ -	NT\$ 2,684,736	NT\$ 41,250,536
Inter-segment revenues	(30,000)	(178,340)	-	(2,674,370)	(2,882,710)
Interest revenue	283,733	36,138	172,866	10,866	503,603
Interest expense	1,260,786	310,571	565,071	106,451	2,242,879
Net interest expense	(977,053)	(274,433)	(392,205)	(95,585)	(1,739,276)
Depreciation and amortization	5,186,067	5,466,435	24,489	450,294	11,127,285
Segment profit(loss)	(2,786,577)	(1,195,344)	800,266	196,156	(2,985,499)
Segment asset	51,397,373	32,968,822	11,508,993	10,451,144	106,326,332
Expenditures for segment assets	5,879,357	4,415,168	-	1,271,164	11,565,689
<u>2002</u>					
Revenue from external customer	NT\$ 35,814,644	NT\$ 10,060,635	NT\$ -	NT\$ 3,299,756	NT\$ 49,175,035
Inter-segment revenues	(14,291)	(276,628)	-	(3,297,278)	(3,588,197)
Interest revenue	277,096	12,619	90,127	12,751	392,593
Interest expense	1,109,241	183,967	639,896	38,124	1,971,227
Net interest expense	(832,145)	(171,348)	(549,769)	(25,373)	(1,578,634)
Depreciation and amortization	5,743,420	5,679,224	738	862,944	12,286,326
Segment profit(loss)	(1,304,013)	(2,797,405)	(654,314)	(561,999)	(2,709,705)
Segment asset	53,667,786	31,338,672	8,099,495	11,799,063	104,905,016
Expenditures for segment assets	9,054,519	4,393,023	-	2,302,265	15,749,807
<u>2003</u>					
Revenue from external customer	NT\$ 45,117,444	NT\$ 12,245,645	NT\$ -	NT\$ 5,225,067	NT\$ 62,588,156
Inter-segment revenues	(90,576)	(103,249)	-	(5,082,561)	(5,276,386)
Interest revenue	53,678	7,593	47,621	5,735	114,627
Interest expense	734,312	147,975	429,750	107,315	1,419,352
Net interest revenue (expense)	(680,634)	(140,382)	(382,129)	(101,580)	(1,304,725)
Depreciation and amortization	6,527,475	5,251,832	1,890	985,371	12,766,568
Segment profit (loss)	2,692,936	124,234	(706,384)	(623,056)	1,487,730
Segment asset	61,923,742	33,343,057	6,578,117	12,479,327	114,324,243
Expenditures for segment assets	9,084,929	6,027,521	-	2,121,874	17,234,324
<u>2003</u>					
Revenue from external customer	US\$ 1,327,374	US\$ 360,272	US\$ -	US\$ 153,724	US\$ 1,841,370
Inter-segment revenues	(2,665)	(3,038)	-	(149,531)	(155,234)
Interest revenue	1,579	223	1,401	169	3,372
Interest expense	21,604	4,354	12,643	3,157	41,758
Net interest revenue (expense)	(20,025)	(4,131)	(11,242)	(2,988)	(38,386)
Depreciation and amortization	192,041	154,511	56	28,990	375,598
Segment profit (loss)	79,227	3,655	(20,782)	(18,330)	43,770
Segment asset	1,821,822	980,967	193,531	367,147	3,363,467
Expenditures for segment assets	267,283	177,332	-	62,426	507,041

25. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES FOLLOWED BY THE CORPORATION AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES

The Company's consolidated financial statements have been prepared in accordance with ROC GAAP, which differ in the following respects from U.S. GAAP:

a. Pension benefits

The Company adopted U.S. Statement of Financial Accounting Standards ("U.S. SFAS") No. 87, "Accounting for Pensions", on January 1, 1987. A portion of the unrecognized net transition obligation at the adoption date is to be allocated directly to equity. ROC SFAS No. 18, which is substantially similar in many aspects to U.S. SFAS No. 87, was effective in 1996 for listed companies in Taiwan. Therefore, pension expense due to different adoption dates is adjusted.

b. Short-term investments

Under ROC GAAP, marketable equity securities are carried at the lower of aggregate cost or market, and debt securities are carried at cost, with only unrealized losses recognized. Under U.S. SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", debt and equity securities that have readily determinable fair values are to be classified as either trading, available-for-sale or held-to-maturity securities. Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities that are bought and traded for short-term profit are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Debt and equity securities not classified as either held-to-maturity or trading are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity.

All of the Company's short-term investments are classified as trading securities under U.S. GAAP, with gains and losses recognized currently in income. The unrealized gain included in earnings under U.S. GAAP for the three years ended December 31, 2001, 2002 and 2003 were as follows:

	Year Ended December 31,			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Unrealized gain (loss)	5,952	(38,844)	3,151	93

All of the Company's short-term investments in mutual funds, stocks, commercial papers and convertible bonds are held principally for the purpose of selling them in the near term.

c. Bonuses to employees, directors and supervisors

According to ROC regulations and the Articles of Incorporation of the Company, a portion of distributable earnings should be set aside as bonuses to employees, directors and supervisors. Bonuses to directors and supervisors are always paid in cash. However, bonuses to employees may be granted in cash or stock or both. All of these appropriations, including stock bonuses which are valued at par value of NT\$10, are charged against retained earnings under ROC GAAP after such appropriations are formally approved by the shareholders in the following year. Under U.S. GAAP, such bonuses are charged against income currently in the year earned. Shares issued as part of these bonuses are recorded at fair market value. Since the amount and form of such bonuses are not usually determinable until the shareholders' board of directors meeting in the subsequent year, the total amount of the aforementioned bonuses is initially accrued based on the management's estimate regarding the amount to be paid based on the Company's Articles of Incorporation. Any difference between the initially accrued amount and the fair market value of the bonuses upon the issuance of shares is recognized in the year of approval by the shareholder.

Aside from the aforementioned bonus plan, the Company granted a special stock bonus to employees amounting to NT\$1,536,396 in 1997 and NT\$2,506,617 in 2000. Employees who received the special stock bonus are required to continue working for the Company for an additional three years. Accordingly, the amount of special stock bonuses is being allocated over three years as additional compensation expense in the consolidated statement of income under U.S. GAAP.

d. Treasury stock

The common shares of the Company that are held by consolidated subsidiaries are, under U.S. GAAP, reflected as treasury stock in the consolidated balance sheet. Also, under U.S. GAAP, the minority interest reflected in the statements of income is adjusted to reflect the equity of the minority shareholders on the subsidiary's equity in the net income of the Company. The mutual or reciprocal holdings had no material effect on the minority interest reported in the consolidated statements of

income. In addition, under U.S. GAAP, the denominator used in calculating EPS is reduced by the number of the Company's common shares held by the subsidiary as of the date the subsidiary acquired the shares. The adjustment to the denominator is 164,441,865 shares in 2001. The capital gain (loss) from sales of treasury stock is deducted from or added to the consolidated balance of capital surplus.

Beginning January 1, 2002, the Company adopted ROC SFAS No. 30, "Accounting for Treasury Stock", which requires shares of parent stock held by subsidiaries to be recorded as treasury stock. The effect is similar to U.S. GAAP except the reduction of the minority share of treasury stock is required under ROC GAAP. Prior to 2002, common shares of the Company held by subsidiaries were presented as a long-term investment in the consolidated balance sheets with the gain or loss on the sale of the treasury stock reflected in the consolidated statements of income.

Prospectively, any unrealized losses that have accumulated prior to the effective date of the new standard will be recorded to the income statement when the corresponding shares are sold under ROC GAAP.

e. Depreciation of buildings

Under ROC GAAP, the estimated life of a building can be up to 55 years based on ROC practices. For U.S. GAAP purposes, the useful lives of buildings are estimated to be 25 years.

f. Excess of book value on transfer of buildings between consolidated subsidiaries

ASE Test, Inc., a consolidated subsidiary, purchased buildings and facilities from another consolidated subsidiary, ASE Technologies, in 1997. The purchase price from ASE Technologies was based on market value. Such additional payment for the excess of book value of NT\$17,667 was capitalized by ASE Test, Inc. as allowed under ROC GAAP. Under U.S. GAAP, transfers of assets between entities under common control are accounted for using their historic cost.

g. Gain on sales of subsidiary's stock

The carrying value of stock investments in ASE Test by J&R Holding under ROC GAAP is different from that under U.S. GAAP mainly due to the differences in accounting for bonuses to employees, directors and supervisors.

h. Effects of U.S. GAAP adjustments on equity-method investments

The carrying values of equity-method investments and the investment income (loss) accounted for by the equity method in HCDC, HCKC, USI and Inprocomm are reflected in the consolidated financial statements under ROC GAAP. The financial statements of these equity investees prepared under ROC GAAP are different from the financial statements of such equity investees prepared under U.S. GAAP mainly due to the differences in accounting for bonuses to employees, directors and supervisors and depreciation of buildings. Therefore, the investment income (loss) has been adjusted to reflect the differences between ROC GAAP and U.S. GAAP in the investees' financial statements.

i. Impairment of long-lived assets

Under U.S. GAAP, in accordance with U.S. SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed by comparing undiscounted net cash flows of the assets against the net book value of the assets. If the recoverability test indicates that an impairment has occurred, the impairment loss is the amount of the asset's net book value in excess of the related fair value. As there are no requirements related to the evaluation of recoverability of impairment of long-lived assets under ROC GAAP, the Company has selected the same accounting for impairment of long-lived assets as U.S.

SFAS No. 144 for both ROC GAAP and U.S. GAAP reporting.

j. Stock dividends

Under ROC GAAP, stock dividends are recorded at par with a charge to retained earnings. Under U.S. GAAP, if the ratio of distribution is less than 25 percent of the same class of shares outstanding, the fair value of the shares issued should be charged to retained earnings. The difference for 2001 and 2003 stock dividends would be treated as an additional reduction to retained earnings and increase to capital surplus amounting to NT\$3,181 million and NT\$143 million (US\$4 million), respectively.

k. Stock option compensation

For U.S. GAAP reporting, the Company has elected to follow Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees”, which measures compensation expense based on the difference, if any, between the market price of the underlying common shares and the exercise price of the stock option on the date of the grant. The Company is required under U.S. SFAS No. 123, “Accounting for Stock-based Compensation”, to disclose the pro forma information regarding option grants to its employees computed as if the fair value method had been applied.

In May 2001, ASE Test’s directors exercised their stock options for 2,480,000 shares at US\$3.50 per share under the 1996 option plan. The Company decided, based on resolution of its Board of Directors, to purchase these shares from the directors at the prevailing market price of US\$14.27 per share on the same day the options were exercised. Under ROC GAAP, such a share purchase is accounted for as additional investments of ASE Test’s shares by the Company. However, under U.S. GAAP, the purchase of shares from employees within six months after exercise of a vested option creates a compensation expense equal to the difference between the market price of the share on the date of exercise and the market price on the date the options were granted. Consequently, compensation expense of NT\$908,661 was recorded by ASE Test.

l. Derivative financial instruments

There are no specific accounting standards under ROC GAAP which address measurement for derivative instruments, except for foreign currency forward contracts. Under ROC GAAP, foreign-currency forward contracts are accounted for in a manner similar to that required under U.S. SFAS No. 52. Under U.S. GAAP, accounting for derivative instruments is covered under U.S. SFAS No. 133, as amended by U.S. SFAS No. 138, which requires that all entities recognize derivative instruments as assets and liabilities in the statement of financial position at fair value. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge. Under U.S. GAAP, the Company does not apply hedge accounting, and derivatives have historically been, and continue to be, recorded on the consolidated balance sheet at fair value, with the changes in fair values recorded through current period earnings.

m. Goodwill

Under ROC GAAP, the Company amortizes goodwill arising from acquisitions over five to 20 years. Under U.S. GAAP, the Company adopted the provisions of U.S. SFAS No. 142 on January 1, 2002. U.S. SFAS No. 142 requires the Company to review for possible impairment of goodwill existing at the date of adoption and perform subsequent impairment tests on at least an annual basis. In addition, existing goodwill and intangible assets must be reassessed and classified consistently in accordance with the criteria set forth in U.S. SFAS No. 141 and U.S. SFAS No. 142. As a result, the Company will no longer amortize goodwill. Definite lived intangible assets will continue to be amortized over their estimated useful lives. The Company completed its transitional impairment test on January 1, 2002 and found no impairment. The Company performed its annual impairment test during the fourth quarter and determined the goodwill related to the acquisition of ASE Test was impaired and recorded a charge of NT\$2,213,045. Total amortization expenses of goodwill under ROC GAAP in 2001, 2002 and 2003 are NT\$692,919, NT\$815,573 and NT\$819,253 (US\$24,103), respectively.

n. Undistributed earnings tax

Undistributed earnings generated after 1997 are subject to a 10% tax in compliance with the Income Tax Law of the ROC. Under ROC GAAP, the 10% tax on undistributed earnings is recorded as an expense at the time shareholders resolve that the Company's earnings shall be retained. Under U.S. GAAP, the Company measured its income tax expense, including the tax effects of temporary differences, using the rate that includes the tax on undistributed earnings.

o. Impairment of long-term investments

ROC GAAP and U.S. GAAP require an assessment of impairment of long-term investments whenever events or circumstances indicate a decline in value may be other than temporary. The criteria for determination are similar under ROC GAAP and U.S. GAAP; however, the methods to measure the amount of impairment may be based on different estimates of fair values depending on the circumstances. When impairment is determined to have occurred, U.S. GAAP requires the market price to be used, if available, to determine the fair value of the long-term investment and measure the amount of impairment at the reporting date. Under ROC GAAP, if the market price is deemed to be a result of an inactive market, another measure of fair value may be used. As such, the Company determined an other-than-temporary impairment occurred in one of its long-term investments in an equity-method investee at December 31, 2002. The amount recorded for ROC GAAP was based on the difference between the carrying value and the net-asset value of the investee with adjustments made to significant assets of the investee as determined using appraised values and other appropriate information. The amount recorded for U.S. GAAP was based on the market price of the stock of the investee at December 31, 2002. The difference resulted in an additional impairment charge for 2002 under U.S. GAAP of NT\$883.6 million. No impairment charge was incurred under U.S. GAAP in 2003 as a result of the increase of the market price of the stock of investee companies.

The following reconciles net income (loss) and shareholders' equity under ROC GAAP as reported in the consolidated financial statements to the approximate net income (loss) and shareholders' equity amounts as determined under U.S. GAAP, giving effect to adjustments for the differences listed above.

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
<u>Net income (loss)</u>				
Net income (loss) based on ROC GAAP	(2,142,219)	129,035	2,742,796	80,694
Adjustments:				
a. Pension benefits	2,755	2,619	3,172	93
b. Short-term investments	5,952	(38,844)	3,151	93
c. Bonuses to employees, directors and supervisors:				
Accrued regular bonuses	-	-	(307,500)	(9,047)
Special stock bonuses	(963,572)	(835,539)	(417,769)	(12,291)
d. Loss from sale of treasury stock	-	-	354,787	10,438
e. Depreciation of building	(48,803)	(99,981)	(101,242)	(2,979)
f. Excess of book value of building transferred between consolidated subsidiaries	432	432	432	13
g. Restate carrying value and related capital gain from sale of long-term investment	39,002	-	-	-
h. Effects for U.S. GAAP adjustments on equity-method investees	(33,785)	198,839	186,055	5,474
k. Stock option compensation	(908,661)	-	(819,027)	(24,096)
m. Goodwill				
Amortization	-	815,573	819,253	24,103
Impairment loss	-	(2,213,045)	-	-
o. Impairment loss on equity-method investee	-	(883,620)	-	-
Effect of U.S. GAAP adjustment on income tax	6,978	10,783	10,953	322
Effect of U.S. GAAP adjustments on minority interest	(4,682)	(160,517)	(123,050)	(3,620)
Net decrease in net income	(1,904,384)	(3,203,300)	(390,785)	(11,497)

(Continued)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Net income (loss) based on U.S. GAAP	(4,046,603)	(3,074,265)	2,352,011	69,197
Earnings (loss) per share				
Basic	(1.32)	(0.99)	0.67	0.02
Diluted	(1.32)	(0.99)	0.66	0.02
Earnings (loss) per ADS				
Basic	(6.59)	(4.97)	3.36	0.10
Diluted	(6.59)	(4.97)	3.32	0.10
Number of weighted average shares outstanding				
Basic	3,071,234,458	3,090,678,225	3,504,700,089	3,504,700,089
Diluted	3,071,234,458	3,090,678,225	3,537,048,918	3,537,048,918
Number of ADS				
Basic	614,246,892	618,135,645	700,940,018	700,940,018
Diluted	614,246,892	618,135,645	707,409,784	707,409,784
Shareholders' equity				
Shareholders' equity based on ROC GAAP	<u>41,946,321</u>	<u>39,430,666</u>	<u>45,122,602</u>	<u>1,327,526</u>
Adjustments:				
a. Pension benefits	(39,404)	(36,785)	(33,613)	(989)
b. Restatement of short-term investments	40,890	2,046	5,197	153
c. Bonuses to employees, directors and supervisors	-	-	(124,424)	(3,661)
d. Treasury stocks				
Reversal of unrealized loss	367,662	367,662	12,875	379
Classification of treasury stock	(3,017,964)	(378,138)	(23,351)	(687)
e. Effect of U.S. GAAP adjustments on useful life	(176,226)	(276,207)	(377,449)	(11,105)
f. Excess of book value of building transferred between related parties	(15,759)	(15,327)	(14,895)	(438)
g. Restate carrying value of subsidiaries' long-term investment	(8,619)	(8,619)	(8,619)	(254)
h. Effects of the above adjustments on equity-method investments	(272,658)	(73,819)	112,236	3,302
k. Stock option compensation	(908,661)	(908,661)	(908,661)	(26,733)
m. Goodwill				
Amortization	-	815,573	1,634,826	48,097
Impairment loss	-	(2,213,045)	(2,213,045)	(65,109)
o. Impairment loss on equity-method investments	-	(883,620)	(883,620)	(25,996)
Effect of U.S. GAAP adjustments on income tax	28,701	39,484	50,437	1,484
Effect on U.S. GAAP adjustments on minority interest	16,059	(144,458)	(267,508)	(7,870)
Net decrease in shareholders' equity	<u>(3,985,979)</u>	<u>(3,713,914)</u>	<u>(3,039,614)</u>	<u>(89,427)</u>
Shareholders' equity based on U.S. GAAP	<u>37,960,342</u>	<u>35,716,752</u>	<u>42,082,988</u>	<u>1,238,099</u>
Changes in shareholders' equity based on U.S. GAAP:				
Balance, beginning of year	40,729,090	37,960,342	35,716,752	1,050,802
Net income (loss) for the year	(4,046,603)	(3,074,265)	2,352,011	69,197
Adjustment for common shares issued as bonuses to employees, directors and supervisors	963,572	835,539	590,565	17,375
Adjustment for stock option compensation	-	-	819,027	24,096
Translation adjustment for subsidiaries	749,128	(126,378)	(287,422)	(8,456)
Adjustment from changes in ownership percentage of investees	(320,785)	102,888	57,668	1,696
Unrealized loss on long-term investment in shares of stock	(15,508)	18,626	-	-
Sale (purchase) of treasury stock	(98,552)	-	2,850,524	83,864
Unrecognized pension cost	-	-	(16,137)	(475)
Balance, end of year	<u>37,960,342</u>	<u>35,716,752</u>	<u>42,082,988</u>	<u>1,238,099</u>

A reconciliation of the significant balance sheet accounts to the approximate amounts as determined under U.S. GAAP is as follows:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
<u>Short-term investments</u>			
As reported	2,590,436	3,017,779	88,784
U.S. GAAP adjustments			
Restatement of investments to fair value	<u>2,046</u>	<u>5,197</u>	<u>153</u>
As adjusted	<u>2,592,482</u>	<u>3,022,976</u>	<u>88,937</u>
<u>Long-term investments</u>			
As reported	6,566,734	6,342,795	186,608
U.S. GAAP adjustments			
Equity investments	(73,819)	112,236	3,302
Impairment loss	<u>(883,620)</u>	<u>(883,620)</u>	<u>(25,996)</u>
As adjusted	<u>5,609,295</u>	<u>5,571,411</u>	<u>163,914</u>
<u>Buildings and improvement</u>			
As reported	16,656,394	18,391,271	541,079
U.S. GAAP adjustments			
Effect of U.S. GAAP adjustments on useful life	(276,207)	(377,449)	(11,105)
Excess of book value of building transferred between related parties	<u>(15,327)</u>	<u>(14,895)</u>	<u>(438)</u>
As adjusted	<u>16,364,860</u>	<u>17,998,927</u>	<u>529,536</u>
<u>Other assets</u>			
As reported	2,675,845	4,587,365	134,962
U.S. GAAP			
Effect of U.S. GAAP adjustments on income tax	<u>39,484</u>	<u>50,437</u>	<u>1,484</u>
As adjusted	<u>2,715,329</u>	<u>4,637,802</u>	<u>136,446</u>
<u>Consolidated debits</u>			
As reported	5,541,808	4,596,234	135,223
U.S. GAAP adjustments			
Restated carrying value of subsidiaries' long-term investment	(917,280)	(917,280)	(26,986)
Goodwill amortization	815,573	1,634,826	48,097
Goodwill impairment loss	<u>(2,213,045)</u>	<u>(2,213,045)</u>	<u>(65,109)</u>
As adjusted	<u>3,227,056</u>	<u>3,100,735</u>	<u>91,225</u>
<u>Current liabilities</u>			
As reported	24,389,976	27,662,045	813,829
U.S. GAAP adjustments—bonuses to employees, directors and supervisors	<u>-</u>	<u>124,424</u>	<u>3,661</u>
As adjusted	<u>24,389,976</u>	<u>27,786,469</u>	<u>817,490</u>
<u>Accrued pension cost</u>			
As reported	416,671	587,286	17,278
U.S. GAAP adjustments—pension benefits	<u>36,785</u>	<u>33,613</u>	<u>989</u>
As adjusted	<u>453,456</u>	<u>620,899</u>	<u>18,267</u>

As a result of the adjustments presented above, the approximate amounts of total assets based on U.S. GAAP are NT\$101,382,821 and NT\$111,720,650 (US\$3,286,868) as of December 31, 2002 and 2003, respectively. Total liabilities based on U.S. GAAP were NT\$55,432,806 and NT\$59,282,103 (US\$1,744,104) as of December 31, 2002 and 2003, respectively.

26. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

a. Recent accounting pronouncements

In June 2001, the FASB issued U.S. SFAS No. 143, "Accounting for Asset Retirement Obligations". The statement requires, among other provisions, retirement obligations to be recognized when they are incurred and displayed as liabilities, with a corresponding amount capitalized as part of the related long-lived asset. The capitalized element is required to be expensed using a systematic and rational method over its useful life. The Company adopted U.S. SFAS No. 143 on January 1, 2003, which did not have a material impact on the Company's U.S. GAAP financial information.

In June 2002, the FASB issued U.S. SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which requires companies costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Such costs covered by the statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. SFAS No. 146 replaces the previous accounting guidance provided by the Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002 and adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation Number ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Other". This interpretation requires certain disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN No. 45 are effective for interim and annual periods ending after December 15, 2002 and have been adopted in the financial statements. The initial recognition and initial measurement requirements of FIN No. 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of the recognition and initial measurement requirements of FIN No. 45 did not have a material impact on the Company's financial position, cash flows or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" and provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and how to determine when and which business enterprise should consolidate the VIEs. This new model for consolidation applies to an entity in which either: (1) the equity investors (if any) lack one or more characteristics deemed essential to a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. FIN 46 was applicable for periods ending December 15, 2003. In December 2003 the FASB issued FIN 46R which defers the implementation date to the end of the first reporting period after March 15, 2004 unless the Company has a special purpose entity in which case the provisions must be applied for fiscal years ending December 31, 2003. The Company does not have a special purpose entity therefore they will adopt the provisions in December 2004.

In November 2002, the FASB Emerging Issues Task Force (“EITF”) reached a consensus on EITF 00-21, “Revenue Arrangements with Multiple Deliverables,” related to the timing of revenue recognition for arrangements in which goods or services or both are delivered separately in a bundled sales arrangement. The EITF requires that when the deliverables included in this type of arrangement meet certain criteria they should be accounted for separately as separate units of accounting. This may result in a difference in the timing of revenue recognition but will not result in a change in the total amount of revenue recognized in a bundled sales arrangement. The allocation of revenue to the separate deliverables is based on the relative fair value of each item. If the fair value is not available for the delivered items then the residual method must be used. This method requires that the amount allocated to the undelivered items in the arrangement is their full fair value. This would result in the discount, if any, being allocated to the delivered items. This consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of this consensus did not have a material impact on the Company’s financial position, cash flows or results of operations.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” The Statement establishes standards for how an issuer classifies and measures certain financial instruments. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Statement requires that certain financial instruments that, under previous guidance, issuers could account for as equity be classified as liabilities (or assets in some circumstances) in statement of positions or consolidated balance sheets, as appropriate. The financial instruments within the scope of this Statement are: (i) mandatorily redeemable shares those that an issuer is obligated to buy back in exchange for cash or other assets; (ii) financial instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets; and (iii) financial instruments that embodies obligation that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer’s shares (excluding certain financial instruments indexed partly to the issuer’s equity shares and partly, but not predominantly, to something else). This Statement does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The Statement also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. The adoption of SFAS No. 150 did not have a material impact on the Company’s financial position, cash flows or results of operations.

b. Pension

Set forth below is pension information disclosed in accordance with U.S. FAS 132:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Components of net periodic benefit cost				
Service cost	116,657	191,707	238,560	7,019
Interest cost	28,968	36,102	43,312	1,274
Expected return on plan assets	(21,630)	(23,003)	(19,413)	(571)
Amortization of prior service cost	1,468	1,557	7,989	235
Net periodic benefit cost	<u>125,463</u>	<u>206,363</u>	<u>270,448</u>	<u>7,957</u>
Changes in benefit obligation				
Benefit obligation at beginning of year	650,032	722,024	1,238,129	36,426
Service cost	116,657	191,707	238,560	7,018
Interest cost	28,968	36,102	43,312	1,274
Plan amendments	-	-	15,247	449

(Continued)

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Actuarial (gain) loss	(69,978)	288,441	150,332	4,423
Benefits paid	(3,655)	(145)	(8,803)	(259)
Benefit obligation at end of year	<u>722,024</u>	<u>1,238,129</u>	<u>1,676,777</u>	<u>49,331</u>
Change in plan assets				
Fair value of plan assets at beginning of year	311,737	412,036	507,098	14,919
Actual return on plan assets	13,324	10,157	7,890	232
Employer contribution	90,468	85,050	113,173	3,330
Benefits paid	(3,493)	(145)	(8,803)	(259)
	<u>412,036</u>	<u>507,098</u>	<u>619,358</u>	<u>18,222</u>
Funded status	309,988	731,031	1,057,419	31,109
Unrecognized actuarial gain (loss)	26,947	(270,641)	(461,562)	(13,579)
Additional pension cost	<u>-</u>	<u>-</u>	<u>28,627</u>	<u>842</u>
Net amount recognized (recognized as accrued pension cost)	<u>336,935</u>	<u>460,390</u>	<u>624,484</u>	<u>18,372</u>

Actuarial assumptions:

	<u>2001 to 2003</u>
Discount rate	3.25% to 5.00%
Rate of compensation increase	3.00% to 4.00%
Expected return on plan assets	3.25% to 5.00%

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

c. Short-term investments

At December 31, 2002 and 2003, certain investments carried at cost under ROC GAAP were restated under U.S. FAS 115:

	December 31								
	2002			2003					
	Carrying Value	Fair Value	Unrealized Holding Gains	Carrying Value	Fair Value	Unrealized Holding Gains	Carrying Value	Fair Value	Unrealized Holding Gains
NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	US\$	US\$
Short-term investments	2,590,436	2,592,482	2,046	3,017,779	3,022,976	5,197	88,784	88,937	153

d. Income taxes benefit

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Tax benefit	(101,310)	(66,469)	(276,788)	(8,143)
Net change in deferred income tax assets (liabilities) for the period	(456,911)	(1,261,021)	(1,201,453)	(35,347)
Income tax on undistributed earnings	335,065	174,478	170,281	5,009
Adjustment of prior years' income taxes	<u>17,018</u>	<u>1,905</u>	<u>18,859</u>	<u>555</u>
	<u>(206,138)</u>	<u>(1,151,107)</u>	<u>(1,289,101)</u>	<u>(37,926)</u>

Reconciliation between the income tax calculated on pretax financial statement income based on the statutory tax rate and the income tax expense (benefit) which conforms to U.S. GAAP is as follows:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Tax (benefit) based on pre-tax accounting income (loss) at statutory rate	(830,326)	(1,064,135)	527,790	15,528
Add (less) tax effects of:				
Permanent differences				
Tax-exempt income				
Tax holiday	(26,413)	(52,126)	(481,214)	(14,158)
Gain from sale of securities	(31,711)	(16,798)	(10,357)	(305)
Bonus to employee and directors	240,893	52,221	96,519	2,840
Other	-	65,259	7,691	226
Tax credits				
Utilized	(253,227)	(331,255)	(439,457)	(12,929)
Deferred	342,563	139,224	(1,179,213)	(34,692)
Income taxes (10%) on undistributed earnings	335,065	54,598	170,281	5,009
Adjustment of prior year's income tax	<u>17,018</u>	<u>1,905</u>	<u>18,859</u>	<u>555</u>
Income tax expense (benefit)	<u>(206,138)</u>	<u>(1,151,107)</u>	<u>(1,289,101)</u>	<u>(37,926)</u>

The abovementioned taxes on pretax accounting income (loss) at the statutory rates for domestic and foreign entities are shown below:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Domestic entities in ROC (25% statutory rate)	(752,228)	(282,713)	674,036	19,831
Foreign entities				
ASE Korea Inc. (30.8% statutory rate)	-	-	74,806	2,201
ISE Labs, Inc. (33% statutory rate)	(92,487)	(725,744)	(209,911)	(6,176)
ASE Test Malaysia (30% statutory rate)	<u>14,389</u>	<u>(55,678)</u>	<u>(11,141)</u>	<u>(328)</u>
	<u>(830,326)</u>	<u>(1,064,135)</u>	<u>527,790</u>	<u>(15,528)</u>

Deferred income tax assets and liabilities as of December 31, 2001, 2002 and 2003 are summarized as follows:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Current deferred income tax assets			
Unused tax credits	966,689	1,054,370	31,020
Provision for inventory obsolescence	38,212	50,475	1,485
Provision for doubtful accounts and sales allowance	23,305	33,754	993
Unrealized foreign exchange loss	49,351	65,118	1,916
Other	<u>29,884</u>	<u>29,752</u>	<u>875</u>
	1,107,441	1,233,469	36,289
Valuation allowance	(<u>23,000</u>)	(<u>8,968</u>)	(<u>264</u>)
	<u>1,084,441</u>	<u>1,224,501</u>	<u>36,025</u>
Non-current deferred income tax assets (liabilities)			
Unused tax credits	2,324,529	3,101,039	91,234
Accrued pension costs	498,087	153,924	4,529
Loss carryforward	455,589	483,538	14,226
Investment income	(206,500)	(144,000)	(4,237)
Others	(<u>85,588</u>)	<u>170,824</u>	<u>5,026</u>
	2,986,117	3,765,325	110,778
Valuation allowance	(<u>1,765,860</u>)	(<u>1,484,659</u>)	(<u>43,679</u>)
	<u>1,220,257</u>	<u>2,280,666</u>	<u>67,099</u>
Non-current deferred income tax liabilities			
Goodwill amortization	(<u>35,658</u>)	(<u>34,674</u>)	(<u>1,021</u>)

e. Employee stock option plans

ASE Option Plan

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

	Option Rights Available	Outstanding Option Rights	
		Number of Option	Weighted Average Exercise
	(In Thousands)	(In Thousands)	NT\$
Option rights authorized	160,000	-	
Options granted	(159,968)	159,968	19.40
Options cancelled	(<u>32</u>)	<u>-</u>	
Balance, December 31, 2003	<u>-</u>	<u>159,968</u>	

ASE Test Option Plan

ASE Test currently maintains five stock option plans, the 1996 Executive Management Option Plan (the "1996 Plan"), the 1997 Option Plan, the 1998 Option Plan, the 1999 Option Plan and the 2000 Option Plan. Up to 10,000,000 shares, 3,200,000 shares, 1,600,000 shares, 2,000,000 shares and 12,000,000 shares have been reserved for issuance under the 1996, 1997, 1998, 1999 and 2000 Option Plans,

respectively.

The 1996, 1997, 1998, 1999 and 2000 Option Plans granted the following stock options to purchase the ASE Test shares which are exercisable based on a vesting schedule over a period of five years until the expiration of options, to directors, officers and key employees. If any granted shares are forfeited, the shares may be granted again, to the extent of any such forfeiture.

Each aforementioned option exercise price was equal to the stock's market price on the date of grant. Options granted under the 1996, 1997 and 1998 Option Plans expire 5 years after grant. Options granted under the 1999 and 2000 Option Plan expire 10 years after grant.

Information regarding the option plans of ASE Test is presented below:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u> (US\$)	<u>Weighted Average Grant Date Fair Values</u> (US\$)
Beginning balance—January 1, 2001	11,486,149	9.82	
Option granted	10,158,650	8.94	<u>4.24</u>
Option exercised	(5,221,508)	3.81	
Option forfeited	(<u>114,706</u>)	17.11	
Ending balance—December 31, 2001	16,308,585	11.15	
Option granted	414,500	7.36	<u>10.46</u>
Option exercised	(2,420,591)	8.62	
Option forfeited	(882,051)	9.88	
Option expired	(<u>89,080</u>)	13.84	
Ending balance—December 31, 2002	13,331,363	11.55	
Option granted	2,000,000	12.95	<u>12.95</u>
Option exercised	(478,426)	8.99	
Option forfeited	(568,860)	13.72	
Option expired	(<u>982,659</u>)	11.08	
Ending balance—December 31, 2003	<u>13,301,418</u>	<u>11.80</u>	
Options exercisable at:			
December 31, 2001	6,233,453	11.89	
December 31, 2002	5,199,349	13.50	
December 31, 2003	6,132,503	13.68	

Option outstanding at December 31, 2003 and the related weighted average exercise price and remaining contractual life information are as follows (in U.S. dollars):

<u>ASE Test</u>	<u>Outstanding</u> <u>Shares</u>	<u>Weighted Average Price</u> (US\$)	<u>Exercisable</u> <u>Shares</u>	<u>Weighted Average Price</u> (US\$)	<u>Weighted Average Remaining Life (Years)</u>
Options which exercise price of:					
US\$20.00-US\$25.00	2,591,740	20.76	2,268,420	20.61	4.36
US\$11.00-US\$16.50	2,242,400	12.81	97,150	11.58	9.71
US\$6.10-US\$9.15	<u>8,467,278</u>	8.79	<u>3,766,933</u>	8.84	7.11
Options outstanding at December 31, 2003	<u>13,301,418</u>		<u>6,132,503</u>		

U.S. FAS 123, "Stock-Based Compensation" effective in 1996, establishes accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. Under U.S. FAS 123, the Company and ASE Test have elected to use the intrinsic value-based method and provide pro forma disclosures of net income and earnings per share as if the fair value accounting provisions of this statements had been adopted.

ASE Test has computed for pro forma disclosure purposes the fair value of each option grant, as defined by U.S. SFAS No. 123, using the Black-Scholes option pricing model with the following assumptions:

ASE Test	2001	2002	2003
Risk free interest rate	3.62-4.66%	2.58-4.48%	3.38%
Expected dividend yield	0%	0%	0%
Expected lives	3.4 years	5.0 years	5.0years
Volatility	62.14%	62.14%	65.07%

For purposes of pro forma disclosure, the estimated fair value of the options are amortized to expense over the option rights vesting periods. Had ASE Test recorded compensation costs based on the estimated grant date fair value, as defined by U.S. SFAS No. 123, the Company's net income (loss) under U.S. GAAP would have been reduced to the pro forma amounts below.

	Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Net income (loss) based on U.S. GAAP	(4,046,603)	(3,074,265)	2,352,011	69,197
Stock—based compensation expense (net of related tax effects)	(<u>305,085</u>)	(<u>331,872</u>)	(<u>220,147</u>)	(<u>6,477</u>)
Pro forma net income (loss)	(<u>4,351,688</u>)	(<u>3,406,137</u>)	<u>2,131,864</u>	<u>62,720</u>
Report EPS—Basic	(<u>1.32</u>)	(<u>0.99</u>)	<u>0.67</u>	<u>0.02</u>
—Diluted	(<u>1.32</u>)	(<u>0.99</u>)	<u>0.66</u>	<u>0.02</u>
Pro forma EPS —Basic	(<u>1.42</u>)	(<u>1.10</u>)	<u>0.61</u>	<u>0.02</u>
—Diluted	(<u>1.42</u>)	(<u>1.10</u>)	<u>0.60</u>	<u>0.02</u>
Reported EPS per ADS —Basic	(<u>6.59</u>)	(<u>4.97</u>)	<u>3.36</u>	<u>0.10</u>
—Diluted	(<u>6.59</u>)	(<u>4.97</u>)	<u>3.32</u>	<u>0.10</u>
Pro forma EPS per ADS—Basic	(<u>7.08</u>)	(<u>5.51</u>)	<u>3.04</u>	<u>0.09</u>
—Diluted	(<u>7.08</u>)	(<u>5.51</u>)	<u>3.01</u>	<u>0.09</u>

The pro forma amounts reflect compensation expense related to ASE TEST 1996, 1997, 1998, 1999 and 2000 option plans granted and vested only. In future years, the annual compensation expense may increase relative to the fair value of the options granted and vested in those future years.

- f. In accordance with U.S. FAS 130, the statement of comprehensive income (loss) for the years ended December 31, 2001, 2002 and 2003 are presented below:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Net income (loss) based on U.S. GAAP	(4,046,603)	(3,074,265)	2,352,011	69,197
Translation adjustment on subsidiaries— net of income tax expense of NT\$187,282 in 2001, and income tax benefit of NT\$31,595 and NT\$71,856 in 2002 and 2003, respectively	561,846	(94,783)	(215,566)	(6,342)
Unrecognized pension cost	-	-	(16,137)	(475)
Comprehensive income (loss)	<u>(3,484,757)</u>	<u>(3,169,048)</u>	<u>2,120,308</u>	<u>62,380</u>

- g. U.S. GAAP cash flow information

The following represents the major caption of cash flow under U.S. GAAP pursuant to U.S. FAS 95:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Cash flows				
Net cash provided by operating activities	10,595,115	11,313,800	13,295,953	391,173
Net cash used in investing activities	(14,082,951)	(13,719,654)	(18,572,586)	(546,413)
Net cash provided by financing activities	<u>618,555</u>	<u>530,491</u>	<u>4,221,190</u>	<u>124,189</u>
Net decrease in cash	(2,869,281)	(1,875,363)	(1,055,443)	(31,051)
Cash, beginning of year	14,166,495	11,770,729	9,829,508	289,188
Effect of exchange rate changes in cash	<u>473,515</u>	<u>(65,858)</u>	<u>(211,640)</u>	<u>(6,227)</u>
	<u>11,770,729</u>	<u>9,829,508</u>	<u>8,562,425</u>	<u>251,910</u>

The significant reclassifications for U.S. GAAP cash flow statements pertain to the following:

- 1) The effect of exchange rate changes on cash is shown in the reconciliation of the beginning balance and ending balance of cash (as opposed to operating activities under ROC GAAP).
 - 2) Compensation to directors and supervisors and bonuses to employees is shown in the operating activity under U.S. GAAP (as opposed to financing activities under ROC GAAP).
 - 3) Sales of treasury stock is shown in the financing activities under U.S. GAAP (as opposed to investing activities under ROC GAAP).
- h. Goodwill

As of January 1, 2002, the Company adopted U.S. SFAS No. 142, "Goodwill and Other Intangible Assets", which requires that goodwill no longer be amortized, and instead, be tested for impairment on a periodic basis. In conjunction with the implementation of U.S. SFAS No. 142, the Company completed a goodwill impairment review as of January 1, 2002 using a fair-value based approach in accordance with the provision of the standard and found no impairment.

Based on acquisitions completed as of June 30, 2001, application of the goodwill non-amortization provisions resulted in a decrease in amortization of approximately NT\$815.6 million for 2002. The Company completed its annual goodwill impairment test at December 31, 2002 and determined impairment of NT\$2,213.0 million of the remaining goodwill associated with its acquisition of ASE Test. As of December 31, 2003, the Company had goodwill of NT\$3,227.1 million (US\$94.9 million), which was primarily in the reporting units of the testing operations.

The following pro forma information reconciles the net income (loss) and earnings (loss) per share reported for 2000 and 2001 to adjusted net income (loss) and earnings (loss) per share, which reflect the adoption of U.S. SFAS No. 142 and compares the adjusted information to the current year results:

	Year Ended December 31			
	2001	2002	2003	
	NT\$	NT\$	NT\$	US\$
Net income (loss) based on U.S. GAAP	(4,046,603)	(3,074,265)	2,352,011	69,197
Goodwill amortization	<u>653,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss), as adjusted	<u>(3,392,686)</u>	<u>(3,074,265)</u>	<u>2,352,011</u>	<u>69,197</u>
Earnings (loss) per share				
Basic earnings (loss) per share, as reported	(1.32)	(0.99)	0.67	0.02
Goodwill amortization	<u>0.21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Basic earnings (loss) per share, as adjusted	<u>(1.11)</u>	<u>(0.99)</u>	<u>0.67</u>	<u>0.02</u>
Diluted earnings (loss) per share, as reported	(1.32)	(0.99)	0.66	0.02
Goodwill amortization	<u>0.21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted earnings (loss) per share, as adjusted	<u>(1.11)</u>	<u>(0.99)</u>	<u>0.66</u>	<u>0.02</u>
Earnings (loss) per ADS				
Basic earnings (loss) per share, as reported	(6.59)	(4.97)	3.36	0.10
Goodwill amortization	<u>1.06</u>	<u>-</u>	<u>-</u>	<u>-</u>
Basic earnings (loss) per share, as adjusted	<u>(5.53)</u>	<u>(4.97)</u>	<u>3.36</u>	<u>0.10</u>
Diluted earnings (loss) per share, as reported	(6.59)	(4.97)	3.32	0.10
Goodwill amortization	<u>1.06</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted earnings (loss) per share, as adjusted	<u>(5.53)</u>	<u>(4.97)</u>	<u>3.32</u>	<u>0.10</u>

Changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2003, by reportable segment, are as follows:

	<u>Packaging</u>	<u>Testing</u>	<u>Total</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
Balance as of January 1, 2002	509,613	3,814,080	4,323,693	127,205
Goodwill acquired during the period	24,169	1,140,009	1,164,178	34,250
Goodwill impairment	(354,280)	(1,858,765)	(2,213,045)	(65,109)
Translation adjustment	(7,461)	(40,309)	(47,770)	(1,405)
Balance as of December 31, 2002	172,041	3,055,015	3,227,056	94,941
Translation adjustment	(6,734)	(119,587)	(126,321)	(3,716)
Balance as of December 31, 2003	<u>65,307</u>	<u>2,935,428</u>	<u>3,100,735</u>	<u>91,225</u>

i. Earnings per share

The following table represents the computation of basic and diluted earnings (loss) per share for each of the years ended at December 31:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
Net income (loss)	(<u>4,046,603</u>)	(<u>3,074,265</u>)	<u>2,352,011</u>	<u>69,197</u>
Weighted average shares				
outstanding				
Basic	3,071,234,458	3,090,678,225	3,504,700,089	3,504,700,089
Effect of dilution				
securities	<u>-</u>	<u>-</u>	<u>32,348,829</u>	<u>32,348,829</u>
Diluted	<u>3,071,234,458</u>	<u>3,090,678,225</u>	<u>3,537,048,918</u>	<u>3,537,048,918</u>

Diluted earnings per share for the year ended December 31, 2003 are calculated as follows:

The denominator is the weighted average number of outstanding shares of common share of 3,537,048,918 shares in 2003 with consideration of the adjustment of ASE stock options in 2003.

The denominator of earnings (loss) per ADS is the above-mentioned weighted average outstanding shares divided by five (one ADS represents five common shares). The numerator is the same as mentioned in the above EPS calculation.

<u>Contract</u>	<u>Amount (in millions)</u>	<u>Strike Price</u>	<u>Maturity Date</u>
<u>ASE</u>			
Sell US\$ Call/JPY Put	US\$ 3.0	US\$1:JPY\$111.6	January 14, 2004
Buy US\$ Put/JPY Call	US\$ 3.0	US\$1:JPY\$111.6	January 15, 2004
Buy NT\$ Call/US\$ Put	US\$ 157.0	US\$1:NTD\$33.95	April 16, 2004
Sell NT\$ Call/US\$ Put	US\$ 157.0	US\$1:NTD\$33.46	October 18, 2004
Sell US\$ Call/JPY Put	US\$ 10.0	Note 1	January 13, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 2	January 13, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 3	January 13, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 4	January 13, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 5	January 13, 2004
Sell US\$ Call/JPY Put	US\$ 10.0	Note 1	February 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 2	February 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 3	February 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 4	February 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 5	February 12, 2004
Sell US\$ Call/JPY Put	US\$ 10.0	Note 1	March 10, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 2	March 10, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 3	March 10, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 4	March 10, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 5	March 10, 2004
Sell US\$ Call/JPY Put	US\$ 10.0	Note 1	April 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 2	April 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 3	April 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 4	April 12, 2004
Buy US\$ Put/JPY Call	US\$ 5.0	Note 5	April 12, 2004

Note 1 : If USD/JPY > 111.6, strike price = 111.6.

Note 2 : If 109 < USD/JPY < 111.6, strike price = 111.6.

Note 3 : If 108 < USD/JPY < 109, strike price = 112.6.

Note 4 : If 107 < USD/JPY < 108, strike price = 113.6.

Note 5 : If 105 < USD/JPY < 107, strike price is based on the spot rate (at maturity date) plus 200bp.

If USD/JPY < 105, no transaction deal.

(Continued)

<u>Contract</u>	<u>Amount (in millions)</u>	<u>Strike Price</u>	<u>Maturity Date</u>
<u>ASE Test Inc.</u>			
Sell US\$ Call/NT\$ Put	US\$ 5.00	US\$1:NT\$34.08	January 13, 2004
Sell US\$ Call/JPY Put	US\$ 3.00	US\$1:JPY\$115	January 14, 2004
Sell US\$ Call/JPY Put	US\$ 2.00	Note 1	January 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 2	January 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 3	January 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 4	January 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 5	January 19, 2004
Buy US\$ Put/NT\$ Call	US\$ 1.00	US\$1:NT\$34.35	January 29, 2004
Sell US\$ Call/NT\$ Put	US\$ 5.00	US\$1:NT\$34.08	February 13, 2004
Sell US\$ Call/JPY Put	US\$ 2.00	Note 1	February 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 2	February 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 3	February 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 4	February 19, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 5	February 19, 2004
Buy US\$ Put/NT\$ Call	US\$ 1.00	US\$1:NT\$34.38	February 26, 2004
Sell US\$ Call/JPY Put	US\$ 2.00	Note 1	March 18, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 2	March 18, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 3	March 18, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 4	March 18, 2004
Buy US\$ Put/JPY Call	US\$ 1.00	Note 5	March 18, 2004
Sell US\$ Call/NT\$ Put	US\$ 2.00	US\$1:NT\$34.60	April 29, 2004
Sell US\$ Call/NT\$ Put	US\$ 2.00	US\$1:NT\$34.60	May 28, 2004

Note 1 : If USD/JPY>112, strike price=112.

Note 2 : If 109<USD/JPY 112, strike price=112.

Note 3 : If 108<USD/JPY 109, strike price=113.

Note 4 : If 107<USD/JPY 108, strike price=114.

Note 5 : If 105<USD/JPY 107, ASE Test, Inc. will receive JP ¥ 2,000,000.

(Continued)

<u>Contract</u>	<u>Amount (in millions)</u>	<u>Strike Price</u>	<u>Maturity Date</u>
<u>ASE Material</u>			
Buy USD Put / JPY Call	US\$ 1.5	Note 1	January 30, 2004
Buy USD Put / JPY Call	US\$ 1.5	Note 1	February 27, 2004
Buy USD Put / JPY Call	US\$ 1.5	Note 1	March 31, 2004
Buy USD Put / JPY Call	US\$ 1.5	Note 1	April 30, 2004
Sell USD Call / JPY Put	US\$ 3.0	Note 1	January 30, 2004
Sell USD Call / JPY Put	US\$ 3.0	Note 1	February 27, 2004
Sell USD Call / JPY Put	US\$ 3.0	Note 1	March 31, 2004
Sell USD Call / JPY Put	US\$ 3.0	Note 1	April 30, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 2	January 21, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 2	February 23, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 2	March 22, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 2	April 21, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 2	January 21, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 2	February 23, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 2	March 22, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 2	April 21, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 3	January 19, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 3	February 19, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 3	March 18, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 3	April 19, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 3	January 19, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 3	February 19, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 3	March 18, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 3	April 19, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 4	January 20, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 4	February 25, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 4	March 25, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 4	April 23, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 4	January 20, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 4	February 25, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 4	March 25, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 4	April 23, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 5	February 04, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 5	March 04, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 5	April 02, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 5	April 28, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 5	February 04, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 5	March 04, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 5	April 02, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 5	April 28, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 6	February 04, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 6	March 04, 2004

(Continued)

<u>Contract</u>	<u>Amount (in millions)</u>	<u>Strike Price</u>	<u>Maturity Date</u>
Buy USD Put / JPY Call	US\$ 1.0	Note 6	April 02, 2004
Buy USD Put / JPY Call	US\$ 1.0	Note 6	April 28, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 6	February 04, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 6	March 04, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 6	April 02, 2004
Sell USD Call / JPY Put	US\$ 2.0	Note 6	April 28, 2004
Buy USD Put / JPY Call	US\$ 2.0	Note 7	February 24, 2004
Buy USD Put / JPY Call	US\$ 2.0	Note 7	March 24, 2004
Buy USD Put / JPY Call	US\$ 2.0	Note 7	April 22, 2004
Buy USD Put / JPY Call	US\$ 2.0	Note 7	March 24, 2002
Sell USD Call / JPY Put	US\$ 4.0	Note 7	February 24, 2004
Sell USD Call / JPY Put	US\$ 4.0	Note 7	March 24, 2004
Sell USD Call / JPY Put	US\$ 4.0	Note 7	April 22, 2004
Sell USD Call / JPY Put	US\$ 4.0	Note 7	March 24, 2002

Note 1 : If USD/JPY > 110.7, strike price =110.7;.

If 109 < USD/JPY 110.7, strike price =110.7;

If 108 < USD/JPY 109, strike price =111.7;

If 107 < USD/JPY 108, strike price =112.7;

If 105 < USD/JPY 107, strike price is spot rate multiply contract price and plus JP ¥ 2,000,000;

If USD/JPY 105, there is no right and obligation.

Note 2 : If USD/JPY > 112, strike price =112;

If 109 < USD/JPY 112, strike price =112;

If 108 < USD/JPY 109, strike price =113;

If 107 < USD/JPY 108, strike price =114;

If 105 < USD/JPY 107, strike price is based on the spot rate (at maturity date) plus 200bp.

If USD/JPY 105, there is no right and obligation.。

Note 3 : If USD/JPY > 112.5, strike price =112.5;

If 109 < USD/JPY 112.5, strike price =112.5;

If 108 < USD/JPY 109, strike price =113.5;

If 107 < USD/JPY 108, strike price =114.5;

(Continued)

If USD/JPY 107, strike price is based on the spot rate (at maturity date) plus JP ¥ 2,000,000.

Note 4 : If USD/JPY > 112.5, strike price =112.5;

If 109 < USD/JPY 112.5, strike price =112.5;

If 108 < USD/JPY 109, strike price =113.5;

If 107 < USD/JPY 108, strike price =114.5;

If USD/JPY 107, strike price is based on the spot rate (at maturity date) plus JP ¥ 2,000,000.

Note 5 : If USD/JPY > 113.2, strike price =112;

If 112 < USD/JPY 113.2, strike price =113.2;

If 109 < USD/JPY 112, strike price =113.2;

If 108 < USD/JPY 109, strike price =114.2;

If 107 < USD/JPY 108, strike price =115.2;

If 105 < USD/JPY 107, strike price is based on the spot rate (at maturity date) plus JP ¥ 2,000,000.

If USD/JPY 105, strike price is based on the spot rate (at maturity date) plus JP ¥ 1,000,000.

Note 6 : If USD/JPY > 112.3, strike price =112;

If 112 < USD/JPY 112.3, strike price =112.3;

If 109 < USD/JPY 112, strike price =112.3;

If 108 < USD/JPY 109, strike price =113.3;

If 107 < USD/JPY 108, strike price =114.3;

If 105 < USD/JPY 107, strike price is based on the spot rate (at maturity date) plus JP ¥ 2,000,000.

If USD/JPY 105, strike price is based on the spot rate (at maturity date) plus JP ¥ 1,000,000.

Note 7 : If USD/JPY > 112, strike price =112;

If 111 < USD/JPY 112, no transaction deal;

If 109 < USD/JPY 111, strike price =111;

(Continued)

If $108 < \text{USD/JPY}$ 109, strike price =112;

If $107 < \text{USD/JPY}$ 108, strike price =113;

If $105 < \text{USD/JPY}$ 107, strike price is based on the spot rate (at maturity date) plus JP ¥ 2,000,000.

If USD/JPY 105, strike price is based on the spot rate (at maturity date) plus JP ¥ 1,000,000.

Advanced Semiconductor Engineering, Inc.

**Financial Statements as of December 31, 2003 and 2002
Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience and may present financial statements for periods not previously presented in a single document. Also, these financial statements do not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

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), a corporation incorporated under the laws of the Republic of China, as of December 31, 2003 and 2002, 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

Deloitte & Touche

Deloitte & Touche
(TN Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Kaohsiung, Taiwan
The Republic of China

February 6, 2004

Notice to Readers

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.

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

BALANCE SHEETS

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	December 31,			
	2003		2002	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 4,839,182	6	\$ 3,841,802	6
Short-term investments (Notes 2 and 3)	154,229	-	67,893	-
Notes receivable	102,717	-	94,634	-
Accounts receivable (Note 4)	7,172,909	9	5,327,472	8
Accounts receivable—related parties (Note 19)	235,530	-	91,531	-
Other receivable	31,650	-	64,008	-
Inventories (Notes 2 and 5)	2,649,513	4	1,634,127	2
Deferred income tax assets (Notes 2 and 16)	481,632	1	722,000	1
Prepayment and other	56,994	-	64,047	-
Total current assets	15,724,356	20	11,907,514	17
LONG-TERM INVESTMENTS				
Long-term stock investments under equity method (Notes 2 and 6)	35,166,806	46	34,344,162	50
Prepaid for long-term investments (Note 6)	12,000	-	-	-
Other long-term investments	50,000	-	-	-
Other financial assets	3,140	-	-	-
Total long-term investments	35,231,946	46	34,344,162	50
PROPERTIES (Notes 2, 7, 12, 20 and 21)				
Land	61,984	-	61,984	-
Buildings and improvements	7,809,214	10	6,464,887	9
Machinery and equipment	29,001,866	38	21,046,752	31
Transportation equipment	48,102	-	44,352	-
Furniture and fixtures	347,285	1	315,638	1
Leased assets	246,714	-	3,487,780	5
Total cost	37,515,165	49	31,421,393	46
Less: Accumulated depreciation	17,429,780	23	13,955,262	20
Construction in progress	20,085,385	26	17,466,131	26
Machinery in transit and prepayments	796,502	1	951,111	1
	1,984,941	3	2,471,606	4
Net properties	22,866,828	30	20,888,848	31
OTHER ASSETS				
Guarantee deposits (Note 20)	287,157	1	105,980	-
Deferred charge (Notes 2 and 21)	1,012,603	1	778,057	1
Deferred income tax assets (Notes 2 and 16)	1,384,955	2	472,000	1
Other (Note 8)	76,279	-	84,277	-
Total other assets	2,760,994	4	1,440,314	2
TOTAL ASSETS	\$76,584,124	100	\$68,580,838	100

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31,			
	2003		2002	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 9)	\$ 682,166	1	\$ -	-
Commercial paper and bank acceptances payable (Note 10)	49,987	-	-	-
Notes payable	1,170	-	1,322	-
Accounts payable	3,128,963	4	2,330,199	3
Accounts payable—related parties (Note 19)	1,446,569	2	738,790	1
Income tax payable (Note 16)	41,368	-	-	-
Accrued expenses (Note 13)	678,584	1	744,373	1
Payable for properties	1,362,793	2	2,721,735	4
Current portion of long-term debts (Notes 12 and 20)	2,841,034	3	3,907,325	6
Other (Notes 6 and 13)	54,974	-	1,261,009	2
Total current liabilities	10,287,608	13	11,704,753	17
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 11)	6,861,232	9	-	-
Long-term debts (Notes 12 and 20)	13,854,690	18	17,121,519	25
Total long-term liabilities	20,715,922	27	17,121,519	25
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 13)	398,459	1	319,827	-
Unrealized intercompany profit (Note 2)	3,950	-	4,073	-
Deferred credit—long-term stock investments (Notes 2 and 6)	55,583	-	-	-
Total other liabilities	457,992	1	323,900	-
Total liabilities	31,461,522	41	29,150,172	42
SHAREHOLDERS' EQUITY (Notes 2 and 14)				
Capital stock—\$10 par values				
Authorized—5,150,000 thousand shares in 2003 and 4,550,000 thousand shares in 2002	35,802,800	47	32,548,000	48
Issued—3,580,280 thousand shares in 2003 and 3,254,800 thousand shares in 2002				
Capital surplus				
Capital in excess of par value	14,777	-	3,171,933	5
Treasury stock transaction	220,735	-	-	-
Long-term investment	3,811,262	5	3,753,594	5
Total capital surplus	4,046,774	5	6,925,527	10
Retained earnings	3,808,436	5	1,173,564	2
Unrealized loss on long-term investment in shares of stock	(68,833)	-	(423,620)	(1)
Cumulative translation adjustments	1,559,599	2	1,847,021	3
Unrecognized pension cost	(16,137)	-	-	-
Treasury stock—718 thousand shares in 2003 and 164,442 thousand share in 2002	(10,037)	-	(2,639,826)	(4)
Total shareholders' equity	45,122,602	59	39,430,666	58
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$76,584,124	100	\$68,580,838	100

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

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF INCOME

(In Thousand New Taiwan Dollars, Except Earnings (Loss) Per Share)

	Year Ended December 31,			
	2003		2002	
	Amount	%	Amount	%
REVENUES (Note 2)	\$ 31,818,730	101	\$ 25,929,168	101
Less: Sales allowance	<u>330,939</u>	<u>1</u>	<u>297,392</u>	<u>1</u>
Net revenues	31,487,791	100	25,631,776	100
COST OF REVENUES (Notes 17 and 19)	<u>25,747,765</u>	<u>82</u>	<u>20,653,713</u>	<u>81</u>
GROSS PROFIT	<u>5,740,026</u>	<u>18</u>	<u>4,978,063</u>	<u>19</u>
OPERATING EXPENSES (Notes 17, 19 and 21)				
Selling	697,095	2	529,001	2
General and administrative	854,867	3	684,874	3
Research and development	<u>756,097</u>	<u>2</u>	<u>577,945</u>	<u>2</u>
Total operating expenses	<u>2,308,059</u>	<u>7</u>	<u>1,791,820</u>	<u>7</u>
OPERATING INCOME	<u>3,431,967</u>	<u>11</u>	<u>3,186,243</u>	<u>12</u>
NON-OPERATING INCOME				
Interest (Note 23)	47,670	-	268,148	1
Other	<u>111,735</u>	<u>1</u>	<u>221,358</u>	<u>1</u>
Total non-operating income	<u>159,405</u>	<u>1</u>	<u>489,506</u>	<u>2</u>
NON-OPERATING EXPENSES				
Interest (Notes 2, 7 and 23)	650,447	2	977,629	4
Investment loss under equity method (Notes 2 and 6)	473,436	1	3,143,060	12
Foreign exchange loss—net (Notes 2 and 23)	197,415	1	97,351	1
Other	<u>176,442</u>	<u>1</u>	<u>94,523</u>	<u>-</u>
Total non-operating expenses	<u>1,497,740</u>	<u>5</u>	<u>4,312,563</u>	<u>17</u>
INCOME (LOSS) BEFORE INCOME TAX AND EXTRAORDINARY LOSS	2,093,632	7	(636,814)	(3)
INCOME TAX BENEFIT (Notes 2 and 16)	<u>649,164</u>	<u>2</u>	<u>800,462</u>	<u>3</u>
INCOME BEFORE EXTRAORDINARY LOSS	2,742,796	9	163,648	-
EXTRAORDINARY LOSS—NET OF TAX BENEFIT \$11,538 in 2002 (Note 11)	<u>-</u>	<u>-</u>	<u>(34,613)</u>	<u>-</u>
NET INCOME	<u>\$ 2,742,796</u>	<u>9</u>	<u>\$ 129,035</u>	<u>-</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	Year Ended December 31,			
	2003		2002	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 18)				
Basic				
Income (loss) before extraordinary loss	\$ 0.60	\$ 0.78	(\$ 0.19)	\$ 0.05
Extraordinary loss	-	-	(0.01)	(0.01)
Net income (loss)	<u>\$ 0.60</u>	<u>\$ 0.78</u>	<u>(\$ 0.20)</u>	<u>\$ 0.04</u>
Diluted				
Income (loss) before extraordinary loss	\$ 0.59	\$ 0.78	(\$ 0.19)	\$ 0.05
Extraordinary loss	-	-	(0.01)	(0.01)
Net income (loss)	<u>\$ 0.59</u>	<u>\$ 0.78</u>	<u>(\$ 0.20)</u>	<u>\$ 0.04</u>
PROFORMA INFORMATION—As if the Company's shares held by subsidiaries were accounted for as investment rather than treasury stock				
Net income		<u>\$ 2,963,531</u>	<u>\$ 129,035</u>	
Based on weighted average number of outstanding shares (in thousands)		3,504,700	3,399,746	
Add: Weighted average number of outstanding shares (in thousands) held by subsidiaries		<u>75,580</u>	<u>180,534</u>	
Proforma weighted average number of outstanding shares (in thousands)		<u>3,580,280</u>	<u>3,580,280</u>	
Basic and diluted earnings (loss) per share				
Basic				
Income before extraordinary loss		\$ 0.83	\$ 0.05	
Extraordinary loss		-	(0.01)	
Net income		<u>\$ 0.83</u>	<u>\$ 0.04</u>	
Diluted				
Income before extraordinary loss		\$ 0.83	\$ 0.05	
Extraordinary loss		-	(0.01)	
Net income		<u>\$ 0.83</u>	<u>\$ 0.04</u>	

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

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousand New Taiwan Dollars)

	Capital Surplus					Retained Earnings			Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments	Unrecognized Pension Cost	Treasury Stock	Total Shareholders' Equity	
	Capital Stock	Capital in excess of par value	Treasury stock transaction	Gain on disposal of properties	Long-term investment	Total	Legal reserve	Unappropriated earnings (accumulated losses)						Total
BALANCE, JANUARY 1, 2002	\$ 32,548,000	\$ 3,171,933	\$ -	\$ 23,109	\$ 3,656,472	\$ 6,851,514	\$ 2,912,716	(\$ 1,897,062)	\$ 1,015,654	(\$ 442,246)	\$ 1,973,399	\$ -	\$ -	\$ 41,946,321
Legal reserve offsets against deficit	-	-	-	-	-	-	(1,876,264)	1,876,264	-	-	-	-	-	-
Reversal of prior years' gain on disposal of properties	-	-	-	(23,109)	-	(23,109)	2,310	20,799	23,109	-	-	-	-	-
Adjustment of equity in subsidiary due to reversal of prior year's gain on disposal of properties	-	-	-	-	(7,352)	(7,352)	-	7,352	7,352	-	-	-	-	-
Transfer of the Company shares held by subsidiaries as treasury stock	-	-	-	-	-	-	-	-	-	-	-	(2,639,826)	(2,639,826)	-
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	104,474	104,474	-	(1,586)	(1,586)	-	-	-	-	102,888
Reversal of unrealized loss on long-term investments in stock	-	-	-	-	-	-	-	-	18,626	-	-	-	-	18,626
Net income for 2002	-	-	-	-	-	-	-	129,035	129,035	-	-	-	-	129,035
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(126,378)	-	-	-	(126,378)
BALANCE, DECEMBER 31, 2002	32,548,000	3,171,933	-	-	3,753,594	6,925,527	1,038,762	134,802	1,173,564	(423,620)	1,847,021	-	(2,639,826)	39,430,666
Appropriations of 2002 earnings														
Legal reserve	-	-	-	-	-	-	12,903	(12,903)	-	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	-	-	(2,280)	(2,280)	-	-	-	-	(2,280)
Bonus to employees—cash	-	-	-	-	-	-	-	(8,000)	(8,000)	-	-	-	-	(8,000)
Stock dividends—0.3%	97,644	-	-	-	-	-	-	(97,644)	(97,644)	-	-	-	-	-
Capital surplus transferred to common stock—9.7%	3,157,156	(3,157,156)	-	-	(3,157,156)	-	-	-	-	-	-	-	-	-
Sales of the Company shares held by subsidiaries	-	-	220,735	-	-	220,735	-	-	-	354,787	-	-	2,629,789	3,205,311
Adjustment of equity in subsidiary due to change in percentage of ownership	-	-	-	-	57,668	57,668	-	-	-	-	-	-	-	57,668
Adjustment of equity in subsidiary due to unrecognized pension cost	-	-	-	-	-	-	-	-	-	-	(16,137)	-	-	(16,137)
Net income for 2003	-	-	-	-	-	-	-	2,742,796	2,742,796	-	-	-	-	2,742,796
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(287,422)	-	-	-	(287,422)
BALANCE, DECEMBER 31, 2003	<u>\$ 35,802,800</u>	<u>\$ 14,777</u>	<u>\$ 220,735</u>	<u>\$ -</u>	<u>\$ 3,811,262</u>	<u>\$ 4,046,774</u>	<u>\$ 1,051,665</u>	<u>\$ 2,756,771</u>	<u>\$ 3,808,436</u>	<u>(\$ 68,833)</u>	<u>\$ 1,559,599</u>	<u>(\$ 16,137)</u>	<u>(\$ 10,037)</u>	<u>\$ 45,122,602</u>

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

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

STATEMENTS OF CASH FLOWS
(In Thousand New Taiwan Dollars)

	<u>Year Ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,742,796	\$ 129,035
Depreciation	3,976,295	3,485,033
Amortization	299,101	233,021
Investment loss under equity method	473,436	3,143,060
Accrued interest on foreign convertible bonds	67,105	138,533
Exchange gain on foreign convertible bonds payable and accrued interest	(23,873)	(32,919)
Loss on early redemption of foreign convertible bonds	-	46,151
Deferred income taxes	(672,587)	(812,000)
Cash dividends received from long-term stock investments	17,155	43,655
Net loss (gain) on derivate financial instruments	126,021	(120,142)
Provision for doubtful accounts and sales allowance	146,218	63,256
Effect of exchange rate changes	84,147	32,587
Other	(3,506)	(3,693)
Changes in operating assets and liabilities		
Notes receivable	4,626	(8,284)
Accounts receivable (included related parties)	(2,108,856)	(1,024,914)
Other receivable	(6,833)	(11,555)
Inventories	(1,015,599)	(84,264)
Prepayments and other	(32,867)	77,313
Notes and accounts payable	1,506,391	607,705
Income tax payable	21,160	-
Accrued expenses	(59,974)	193,400
Other current liabilities	(70,597)	16,876
Accrued pension liabilities	78,632	68,148
Net cash provided by operating activities	<u>5,548,391</u>	<u>6,180,002</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments	(1,135,330)	(708,145)
Acquisition of properties	(7,891,231)	(4,236,818)
Decrease (increase) in short-term investments	(97,337)	667,641
Increase in other assets	(453,351)	(474,378)
Increase in guarantee deposit	(181,177)	-
Cash received from the merger of subsidiaries	1,596,717	-
Proceeds from sales of properties	<u>239,125</u>	<u>129,770</u>
Net cash used in investing activities	<u>(7,922,584)</u>	<u>(4,621,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	5,409,723	(454,922)
Proceeds from (repayments of) commercial papers and bank acceptances payable	49,987	(1,012,193)
Redemption of foreign convertible bonds	-	(1,674,053)
Proceeds from long-term debts	17,477,727	4,889,787

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>Year Ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
Repayments of long-term debts	(\$ 26,156,319)	(\$ 5,047,205)
Cash received through the issuance of foreign convertible bonds payable	6,684,882	-
Compensation to directors and supervisors and bonus to employees	(10,280)	-
Net cash provided by (used in) financing activities	<u>3,455,720</u>	<u>(3,298,586)</u>
EFFECT OF EXCHANGE RATE CHANGES	(84,147)	(32,587)
NET INCREASE (DECREASE) IN CASH	997,380	(1,773,101)
CASH, BEGINNING OF YEAR	<u>3,841,802</u>	<u>5,614,903</u>
CASH, END OF YEAR	<u>\$ 4,839,182</u>	<u>\$ 3,841,802</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 727,835	\$ 973,391
Less: Capitalized interest	<u>96,795</u>	<u>114,707</u>
Interest paid, excluding capitalized Interest	<u>\$ 631,040</u>	<u>\$ 858,684</u>
Income tax paid	<u>\$ 1,934</u>	<u>\$ 1,983</u>
Cash paid for acquisition of properties		
Acquisition of properties	\$ 6,150,205	\$ 6,362,390
Decrease in obligation under capital leases	382,084	-
Decrease (increase) in payable for properties	<u>1,358,942</u>	<u>(2,125,572)</u>
	<u>\$ 7,891,231</u>	<u>\$ 4,236,818</u>
Cash received from sales of properties		
Sales of properties	\$ 265,923	\$ 38,862
Decrease (increase) in receivable	<u>(26,798)</u>	<u>90,908</u>
	<u>\$ 239,125</u>	<u>\$ 129,770</u>
Cash received from the issuance of foreign convertible bonds		
Net proceeds	\$ 6,818,000	\$ -
Issuance expense	(119,315)	-
Increase in accrued expenses	<u>(13,803)</u>	<u>-</u>
	<u>\$ 6,684,882</u>	<u>\$ -</u>
Cash paid for redemption of foreign convertible bonds		
Redemption price for foreign convertible bonds	\$ -	\$ 3,242,110
Cash paid from sinking fund	<u>-</u>	<u>(1,568,057)</u>
	<u>\$ -</u>	<u>\$ 1,674,053</u>
NON-CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debts	<u>\$ 2,841,035</u>	<u>\$ 3,907,325</u>
Offsetting treasury stock and other current liabilities against long-term investment due to sale of the Company's shares held by subsidiaries	<u>\$ 1,405,632</u>	<u>\$ -</u>
Reclassification of the Company's shares held by subsidiaries from long-term investment to treasury stock and other current liabilities	<u>\$ -</u>	<u>\$ 2,639,826</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

On July 1, 2003, the merger of the Company with ASE Investment Inc. and ASE Capital Inc. was effective. At the merger date, the related financial information consists of:

	ASE Investment Inc.	ASE Capital Inc.	Total
	<u> </u>	<u> </u>	<u> </u>
Decrease in long-term investment	\$ 1,316,832	\$ 230,969	\$ 1,547,801
Other current assets	(9)	(181)	(190)
Deferred income tax assets—non-current	(37)	(171)	(208)
Accounts payable	20,176	3,023	23,199
Income tax payable	20,208	-	20,208
Other current liabilities	<u>5,737</u>	<u>170</u>	<u>5,907</u>
Cash received from the merger of subsidiaries	<u>\$ 1,362,907</u>	<u>\$ 233,810</u>	<u>\$ 1,596,717</u>

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

**Advanced Semiconductor Engineering, Inc. and Its
Affiliates**

**Consolidated Financial Statements as of December 31, 2003
and 2002
Together with Independent Auditors' Review Report**

Readers are advised that the original version of these consolidated financial statements is in Chinese. This English translation is solely for the readers' convenience and may present consolidated financial statements for periods not previously presented in a single document. Also, these consolidated financial statements do not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China. If there is any conflict between these consolidated financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advanced Semiconductor Engineering, Inc. and its affiliates as of December 31, 2003 and 2002, and the related consolidated statements of income for the years then ended. We conducted our reviews in accordance with the "Guidelines for the Review of Consolidated Financial Statements of Affiliates". The review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is to express an opinion regarding the consolidated financial statements of affiliate taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements refer to in the first paragraph in order for them to be in conformity with the "Guidelines for the Preparation of Consolidated Financial Statements of Affiliates", the related regulation and generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche
(TN Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Kaohsiung, Taiwan
The Republic of China

February 6, 2004

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations in accordance with regulations as promulgated by the Securities and Futures Commission of the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS AFFILIATES

CONSOLIDATED BALANCE SHEETS
(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	December 31,			
	2003		2002	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 2)	\$ 9,909,865	7	\$ 11,489,376	9
Short-term investments (Notes 2, 3 and 25)	4,068,979	3	3,091,374	2
Notes receivable	267,310	-	140,065	-
Accounts receivable (Notes 4 and 24)	20,852,244	15	15,157,147	12
Other receivable (Note 24)	354,043	-	386,864	-
Inventories (Notes 2 and 5)	8,270,629	6	6,220,047	5
Building and land held for sales (Notes 2, 6 and 25)	870,522	1	1,630,735	1
Land held for construction (Notes 2, 7 and 25)	2,258,528	1	2,443,528	2
Deferred income tax assets (Notes 2 and 22)	1,305,223	1	1,163,857	1
Pledged time deposit (Note 25)	322,426	-	583,743	1
Prepayments and other	966,236	1	1,066,601	1
Total current assets	<u>49,446,005</u>	<u>35</u>	<u>43,373,337</u>	<u>34</u>
LONG-TERM INVESTMENTS (Notes 2, 8 and 25)				
Long-term stock investments—equity method	1,512,516	1	1,596,911	1
Long-term stock investments—cost method	3,326,938	3	3,448,896	3
Prepaid long-term investments	12,000	-	-	-
Other long-term investments	50,000	-	-	-
Total long-term investments	<u>4,901,454</u>	<u>4</u>	<u>5,045,807</u>	<u>4</u>
OTHER FINANCIAL ASSETS	<u>3,140</u>	<u>-</u>	<u>-</u>	<u>-</u>
PROPERTIES (Notes 2, 9, 15, and 25)				
Cost				
Land and improvements	4,739,907	3	4,821,517	4
Buildings and improvements	19,829,204	14	18,075,412	14
Machinery and equipment	86,778,672	62	75,921,251	59
Transportation equipment	130,108	-	123,981	-
Furniture and fixtures	2,650,468	2	2,418,443	2
Leased assets and leasehold improvements	1,026,848	1	855,487	1
Total cost	<u>115,155,207</u>	<u>82</u>	<u>102,216,091</u>	<u>80</u>
Revaluation	<u>6,863</u>	<u>-</u>	<u>6,863</u>	<u>-</u>
	<u>115,162,070</u>	<u>82</u>	<u>102,222,954</u>	<u>80</u>
Less: Accumulated depreciation	<u>51,101,704</u>	<u>36</u>	<u>41,848,842</u>	<u>33</u>
	<u>64,060,366</u>	<u>46</u>	<u>60,374,112</u>	<u>47</u>
Construction in progress	3,353,328	2	1,683,387	1
Machinery in transit and prepayments	<u>6,273,440</u>	<u>4</u>	<u>5,796,788</u>	<u>5</u>
Net properties	<u>73,687,134</u>	<u>52</u>	<u>67,854,287</u>	<u>53</u>
OTHER ASSETS				
Rental assets—net (Notes 2 and 25)	1,109,260	1	1,189,472	1
Guarantee deposits (Note 25)	387,692	-	191,517	-
Deferred charges (Note 2)	1,910,618	2	1,421,834	1
Deferred income tax assets (Notes 2 and 22)	2,789,416	2	1,701,099	1
Other long-term receivable—net (Note 10)	-	-	-	-
Other (Note 9)	<u>461,236</u>	<u>-</u>	<u>274,959</u>	<u>-</u>
Total other assets	<u>6,658,222</u>	<u>5</u>	<u>4,778,881</u>	<u>3</u>
CONSOLIDATED DEBITS (Notes 2 and 11)	<u>5,806,776</u>	<u>4</u>	<u>6,972,950</u>	<u>6</u>
TOTAL ASSETS	<u>\$140,502,731</u>	<u>100</u>	<u>\$128,025,262</u>	<u>100</u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31,			
	2003		2002	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 12 and 25)	\$ 8,901,117	6	\$ 8,233,668	6
Commercial paper and bank acceptances payable (Notes 12 and 13)	3,018,666	2	4,395,588	3
Notes and accounts payable (Note 24)	12,522,520	9	8,667,717	7
Income tax payable	391,008	-	336,265	-
Accrued expenses (Note 18)	2,669,376	2	2,371,618	2
Payable for properties	4,392,340	3	4,494,828	4
Progress billings (Notes 2 and 6)	13,415	-	1,978	-
Current portion of long-term bank loans (Notes 15 and 25)	5,625,389	4	6,934,967	5
Current portion of long-term payable for investments (Note 16)	2,309,960	2	962,758	1
Current portion of obligation under capital leases (Notes 2 and 17)	164,612	-	193,714	-
Other	<u>975,519</u>	<u>1</u>	<u>628,436</u>	<u>1</u>
Total current liabilities	<u>40,983,922</u>	<u>29</u>	<u>37,221,537</u>	<u>29</u>
LONG-TERM LIABILITIES				
Long-term bonds payable (Notes 2 and 14)	6,861,232	5	5,179,793	4
Long-term bank loans (Notes 15 and 25)	26,429,085	19	22,892,623	18
Long-term payable for investments (Note 16)	-	-	2,364,360	2
Obligation under capital leases (Notes 2 and 17)	<u>105,517</u>	<u>-</u>	<u>273,660</u>	<u>-</u>
Total long-term liabilities	<u>33,395,834</u>	<u>24</u>	<u>30,710,436</u>	<u>24</u>
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 18)	840,382	1	590,904	-
Deferred income tax liabilities (Notes 2 and 22)	34,674	-	35,658	-
Other (Notes 2 and 8)	17,910	-	18,347	-
Minority interest (Note 2)	<u>20,107,407</u>	<u>14</u>	<u>20,017,714</u>	<u>16</u>
Total other liabilities	<u>21,000,373</u>	<u>15</u>	<u>20,662,623</u>	<u>16</u>
Total liabilities	<u>95,380,129</u>	<u>68</u>	<u>88,594,596</u>	<u>69</u>
SHAREHOLDERS' EQUITY (Notes 2 and 19)				
Capital stock—\$10 par values				
Authorized—5,150,000 thousand shares in 2003 and 4,550,000 thousand shares in 2002	<u>35,802,800</u>	<u>25</u>	<u>32,548,000</u>	<u>26</u>
Issued—3,580,280 thousand shares in 2003 and 3,254,800 thousand shares in 2002				
Capital surplus				
Capital in excess of par value	14,777	-	3,171,933	2
Treasury stock transaction	220,735	-	-	-
Long-term investment	<u>3,811,262</u>	<u>3</u>	<u>3,753,594</u>	<u>3</u>
Total capital surplus	<u>4,046,774</u>	<u>3</u>	<u>6,925,527</u>	<u>5</u>
Retained earnings	<u>3,808,436</u>	<u>3</u>	<u>1,173,564</u>	<u>1</u>
Other equity adjustments				
Unrealized loss on long-term investment in shares of stock	(68,833)	-	(423,620)	-
Cumulative translation adjustments	1,559,599	1	1,847,021	1
Unrecognized pension cost	(16,137)	-	-	-
Total other equity adjustments	<u>1,474,629</u>	<u>1</u>	<u>1,423,401</u>	<u>1</u>
Treasury stock—718 thousand shares in 2003 and 164,442 thousand shares in 2002	(10,037)	-	(2,639,826)	(2)
Total shareholders' equity	<u>45,122,602</u>	<u>32</u>	<u>39,430,666</u>	<u>31</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$140,502,731</u>	<u>100</u>	<u>\$128,025,262</u>	<u>100</u>

English Translation of Financial Statements Originally Issued in Chinese

ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND ITS AFFILIATES

CONSOLIDATED STATEMENTS OF INCOME
(In Thousand New Taiwan Dollars, Except Share Data)

	Year Ended December 31,			
	2003		2002	
	Amount	%	Amount	%
REVENUES (Notes 2 and 24)				
Gross sales	\$99,727,751	101	\$78,373,873	101
Less: Sales return and allowance	<u>1,493,276</u>	<u>2</u>	<u>1,073,080</u>	<u>1</u>
Net sales	98,234,475	99	77,300,793	100
Net revenue from construction business	<u>775,486</u>	<u>1</u>	<u>235,118</u>	<u>-</u>
	<u>99,009,961</u>	<u>100</u>	<u>77,535,911</u>	<u>100</u>
COST OF REVENUES (Note 21)				
Cost of sales	83,694,068	84	67,201,503	87
Cost of construction business	<u>1,050,033</u>	<u>1</u>	<u>286,578</u>	<u>-</u>
	<u>84,744,101</u>	<u>85</u>	<u>67,488,081</u>	<u>87</u>
GROSS PROFIT	<u>14,265,860</u>	<u>15</u>	<u>10,047,830</u>	<u>13</u>
OPERATING EXPENSES (Notes 2,9,11, 21 and 24)				
Selling	2,449,705	3	1,950,627	3
General and administrative	5,047,253	5	5,821,846	7
Research and development	<u>3,163,175</u>	<u>3</u>	<u>2,609,071</u>	<u>3</u>
Total operating expenses	<u>10,660,133</u>	<u>11</u>	<u>10,381,544</u>	<u>13</u>
INCOME (LOSS) FROM OPERATIONS	<u>3,605,727</u>	<u>4</u>	<u>(333,714)</u>	<u>-</u>
NON-OPERATING INCOME				
Interest (Note 28)	124,769	-	412,659	1
Gain on sales of investment	624,454	1	146,738	-
Other(Note 24)	<u>477,382</u>	<u>-</u>	<u>889,186</u>	<u>1</u>
Total non-operating income	<u>1,226,605</u>	<u>1</u>	<u>1,448,583</u>	<u>2</u>
NON-OPERATING EXPENSES				
Interest (Notes 2, 6 and 9)	1,667,402	2	2,305,243	3
Foreign exchange loss—net (Notes 2 and 28)	284,536	-	277,548	-
Investment loss under equity method (Notes 2 and 8)	145,798	-	474,486	1
Investment loss under cost method	55,000	-	158,041	-
Realized loss on long-term investments (Note 19)	354,787	-	-	-
Other	<u>573,664</u>	<u>1</u>	<u>758,939</u>	<u>1</u>
Total non-operating expenses	<u>3,081,187</u>	<u>3</u>	<u>3,974,257</u>	<u>5</u>
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST AND EXTRAORDINARY LOSS	1,751,145	2	(2,859,388)	(3)

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	Year Ended December 31,			
	2003		2002	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME TAX BENEFIT (Notes 2 and 22)	\$ 1,255,113	1	\$ 1,120,039	2
INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY LOSS	3,006,258	3	(1,739,349)	(2)
EXTRAORDINARY LOSS—NET OF TAX BENEFIT \$11,538 in 2002 (Note 14)	(75,668)	-	(34,613)	-
MINORITY INTEREST IN NET LOSS (INCOME) OF AFFILIATEs	(187,794)	-	1,902,997	2
CONSOLIDATED NET INCOME	<u>\$ 2,742,796</u>	<u>3</u>	<u>\$ 129,035</u>	<u>-</u>

	Year Ended December 31,			
	2003		2002	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
EARNINGS (LOSS) PER SHARE (Note 23)				
Basic				
Income (loss) before extraordinary loss	\$ 0.51	\$ 0.80	(\$ 0.24)	\$ 0.05
Extraordinary loss	(0.02)	(0.02)	(0.01)	(0.01)
Net income (loss)	<u>\$ 0.49</u>	<u>\$ 0.78</u>	<u>(\$ 0.25)</u>	<u>\$ 0.04</u>
Diluted				
Income (loss) before extraordinary loss	\$ 0.51	\$ 0.80	(\$ 0.24)	\$ 0.05
Extraordinary loss	(0.02)	(0.02)	(0.01)	(0.01)
Net income (loss)	<u>\$ 0.49</u>	<u>\$ 0.78</u>	<u>(\$ 0.25)</u>	<u>\$ 0.04</u>

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

(Concluded)

ASE Group Worldwide Directory

Asia Pacific

Kaohsiung, Taiwan

26 Chin 3rd Road
Nantze Export Processing Zone
Kaohsiung, Taiwan 811
Tel: 886-7-361-7131
Fax: 886-7-361-4546 / 361-3094
Contact person: Martin Tsai
email: martin_tsai@aseglobal.com

Chungli, Taiwan

550 Chung-Hwa Road. Sec. 1
Chungli, Taiwan 320
Tel: 886-3-452-7121
Fax: 886-3-452-3512
Contact person: W.W. Mok
email: ww_mok@aseglobal.com

Hsinchu, Taiwan

6F, No.6-1, Lane 99, Puding Road,
Hsinchu, Taiwan 300
Tel: 886-3-575-3375
Fax: 886-3-575-3376
Contact person: Charlie Hsu
email: charlie_hsu@aseglobal.com

Penang, Malaysia

Phase 4, Bayan Lepas Free Industrial Zone
11900 Penang, Malaysia
Tel: 60-4-644-8555
Fax: 60-4-644-8411/644-8422
Contact person: S.C. Lim
email: sc_lim@notes.aseglobal.com.my

Pajushi, Korea

494, Munbal-ri, Kyoha-myun, Paju-shi,
Kyunggi-do, Korea
Tel: 82-31-9400-535
Fax: 82-31-9400-621
Contact person: Jennie Chung
email: jenniechung@asekr.com

Singapore

750-D Chai Chee Road #07-06,
Technopark @ Chai Chee
Singapore 469004
Tel: 65-6441-77977
Fax: 65-6441-4755
Contact person: Jason Ng
email: jason.ng@aseus.com

Yokohama, Japan

10F, Sumitomofudosan Bldg., 2-5-5,
Shin-Yokohama, Kohoku-ku, Yokohama 222-0033,
Japan
Tel: 81-45-478-7300
Fax: 81-45-478-7301
Contact person: Hirokuni Shibata
email: shibata@aseglobal.com

North America

North California

3590 Peterson Way
Santa Clara, CA 95054, USA
Tel: 1-408-986-6500
Fax: 1-408-565-0289
Contact person: Jennifer Yuen
email: marketing@aseus.com

South California

28202 Cabot Road, Suite 325
Laguna Niguel, CA 92677, USA
Tel: 1-949-347-7380
Fax: 1-949-347-7390
Contact person: John Brosius
email: marketing@aseus.com

Austin, Texas

11400 Burnett Road, Suite 5160
Austin, TX 78758, USA
Tel: 1-512-835-2500
Fax: 1-512-835-5527
Contact person: Leah Giovan
email: marketing@aseus.com

Boston, Massachusetts

900 Cummings Center, Suite 211U
Beverly, MA 01915, USA
Tel: 1-978-922-5800
Fax: 1-978-927-8898
Contact person: Norm Nichols
email: marketing@aseus.com

Phoenix, Arizona

7885 S. River Parkway, Suite 106
Tempe, AZ 85284, USA
Tel: 1-480-752-2233
Fax: 1-480-752-2244
Contact person: John Nickelsen
email: marketing@aseus.com

Raliegh, North Carolina

1710 East Bromfield Drive,
Hillsborough, NC 27278
Tel: 1-919-643-3045
Fax: 1-919-643-3045
Contact person: Brad Moore
email: marketing@aseus.com

Europe

Brussels, Belgium

386 Avenue Louise, Bte 6,
1050 Brussels, Belgium
Tel: 32-2-647-8461
Fax: 32-2-647-7155
Contact person: Dana Gove
email: dana.gove@aseeu.com

Kummersbruck, Germany

Weimarer Str. 4
D-92245 Kummersbruck
Germany
Tel: 49-9621-83015
Fax: 49-9621-71206
Contact person: Klemens Kodalle
email: klemens.kodalle@aseeu.com

Marseille, France

70, Avenue de la Panouse, Villa 5
13009 Marseille, France
Tel: 33-662-051-424
Fax: 33-491-415-976
Contact person: Marc Ricci
email: marc.ricci@aseeu.com

Vienna, Austria

Grabnergasse 10/7
A-1060 Vienna
Austria
Tel: 43-664-141-1201
Fax: 43-1-596-2943
Contact person: Charles Su Chiu
email: charles.chiu@aseeu.com

Board of Directors & Supervisors

Directors

Jason C.S. Chang
Richard H.P. Chang
Chin Ko-Chien
Joseph Tung
David Pan
Jeffrey Chen
Tien Wu

Supervisors

Feng Mei-Jean
Yen Yi Tesng
Alan Cheng
John Ho
Raymond Lo

Executive Officers

Jason C.S. Chang	Chairman and Chief Executive Officer
Richard H.P. Chang	Vice Chairman, and President
Chin Ko-Chien	Executive Vice President and General Manager, Kaohsiung Packaging facility
David Pan	President, ASE Test
Raymond Lo	President, ASE Test Taiwan
Kanapathi A/L Kuppusamy	President, ASE Test Malaysia
Sang Jin Maeng	President, ASE Korea
Joseph Tung	Chief Financial Officer
Tien Wu	Chief Executive Officer, ISE Labs

Stockholder Information

Annual General Meeting

The Annual General Meeting of Shareholders will be held on June 15, 2004 at 10:00 a.m.
at the auditorium NEPZ Kaohsiung, Taiwan.

Stock Listing

The company's common stock is listed on the Taiwan Stock Exchange. (2311.tw)

Transfer Agent

President Securities Corp.
Shareholder Service division,
1F, No. 8, Tong-Shing Street, Taipei, Taiwan.
Tel: 886-2-2747-8266
Fax: 886-2-2746-3608

Independent Certified Public Accountants

Deloitte & Touche (TN Soong & Co and Deloitte & Touche (Taiwan) Established
Deloitte & Touche Effective June 1, 2003)
7th F1., 168 Chung Cheng 4th Road, Kaohsiung, Taiwan
Tel: 886-7-251-4311
Fax: 886-7-241-2577



<http://www.aseglobal.com>