

ADVANCED SEMICONDUCTOR ENGINEERING INC  
Form 6-K  
May 25, 2007

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

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

May 25, 2007

Commission File Number      001-16125

**Advanced Semiconductor Engineering, Inc.**  
( Exact name of Registrant as specified in its charter)

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

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

Form 20-F       Form 40-F

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

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

Yes \_\_\_ No  \_\_\_

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

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**Signatures**

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

**ADVANCED SEMICONDUCTOR  
ENGINEERING, INC.**

Date: May 25, 2007

By: /s/ Joseph Tung  
Name: Joseph Tung  
Title: Chief Financial Officer

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**Meeting Agenda**

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**Advanced Semiconductor Engineering, Inc.**

**2007 Annual Shareholders' Meeting**

**MEETING PROCEDURE**

- 1. Meeting called to order (announcing respective holding of shareholders present)**
- 2. Chairperson's opening remarks**
- 3. Status report**
- 4. Matters for ratification**
- 5. Matters for discussions**
- 6. Other Proposals and extempore motions**
- 7. Meeting ended.**

**Advanced Semiconductor Engineering, Inc.**

**2007 Annual Shareholders' Meeting Agenda**

- 1. Time: Thursday, June 28, 2007 at 10 a.m.**
- 2. Place: Zhuang Jing Auditorium, 600 Jiachang Rd., Nantz Processing Export Zone, Nantz District, Kaohsiung City**
- 3. Present : All shareholders and proxies**
- 4. Chairperson's Remarks**
- 5. Status Report**

1. 2006 Business Report
2. Supervisor's Report on 2006 final financial statements
3. Report on total amount for endorsement, guarantee and amount of loans to third parties.
4. Report on the Company's indirect investment on Mainland China and the implementation thereof.
5. Report on the Rules of Procedure for the Board of Directors Meeting.

**6. Matters for Ratification**

Item Ratification of the Company's 2006 final financial statements  
1:

Item Ratification of the Company's 2006 earnings distribution proposal  
2:

**7. Matters for Discussions**

Case Discussions of issuance of new shares for capital increase by retained earning and employee bonus  
1:

Case Discussions of authorizing the Board to opt at the optimal time for capital increase in cash by joining the  
II: issuance of GDR (Global depository receipts) or domestic capital increase in cash or issuance of domestic or ECB to raise fund.

Case Discussions of revision of Procedure for Acquisition or Disposal of Assets.  
III:

Case Discussions of revision of Articles of Incorporation  
IV:

**8. Other Proposals and Extempore Motions**

**9. Meeting ended**

**Status Report**

1. **The Company's 2006 Business Report** (proposed by the Board of Directors)  
Explanation: Please see Attachment I for the 2006 Business Report attached to this Agenda Manual.
2. **Supervisors' Report on 2006 Actual Budget** (proposed by the Board of Directors)  
Explanation: Please see Attachment II for the Supervisors' Report attached to this Agenda Manual.
3. **Report of the Company's aggregate amount of endorsements and guarantees and amounts of loans extended to others as of December 31, 2006** (proposed by the Board of Directors)  
Explanation: 1. Details of the Company's amounts of endorsements and guarantees as of December 31, 2006 are as follows:

Unit: NT\$1,000

Warrantee	Relationship	Amount Guaranteed
A S E T e s t Finance Ltd.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	2,542,488 (Note1)
ASE Singapore Pte Ltd.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	701,977
ASE Electronic Inc.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	1,955,760
ASE (Shanghai) Inc.	A great grand-son company that an ASE subsidiary has indirect holdings in	4,856,804



	excess of 50%	
For joint use by ASE (Shanghai) Ltd., ASE Module (Shanghai) Inc. and ASE (Kunshan) Inc.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	488,940
For joint use by ASE (Shanghai) Ltd., ASE Module (Shanghai) Inc. and ASE (Kunshan) Inc. and ASE Hi-Tech (Shanghai) Co., Ltd.	A great grand-son company that an ASE subsidiary has indirect holdings in excess of 50%	1,792,780
O m n i q u e s t I n d u s t r i a l Limited	A subsidiary the Company has direct holdings in excess of 50%	71,711
Grand Total		12,410,460

Note 1: This is the Company's joint guarantee for a syndicate loan of US\$78,000,000 for subsidiaries ASE Test Finance Ltd. and ASE Test Ltd.

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

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

Explanation:

1. The following depicts the newly added indirect investment out of the Company's own reserves on Mainland China via third countries in 2006:

Approval No. by Investment Commission, MOEA	Name of company on Mainland China being invested	Amount approved
Ching-Shen-Er-Tze-#09500185060 dated 08.01/2006	ASE (Kunshan) Inc.	US\$30 million

2. The following depicts the newly added indirect investment out of the coffer of the Company's overseas subsidiary on Mainland China via third countries in 2006:

Approval No. by Investment Commission, MOEA	Name of company on Mainland China being invested	Amount approved
Ching-Shen-Er-Tze-#09500324630 dated 12.19/2006	Global Advanced Packaging Technology Limited	US\$60 million

**E. Report on the Company's legislation of the Rules of Procedure for the Board of Directors Meeting** (proposed by the Board of Directors)

Explanation:

1. In order to meet the requirements set forth by Article 26-3 of The Securities Trading Act and other related laws and regulations, the Company's board of directors adopted the resolution on December 21, 2006 to revise the Rules of Procedure for the Board of Directors Meeting.

2. For details for the said Official Business Rules on Discussions by the Board of Directors, please refer to Attachment III to this Agenda Manual.

**Matters for Ratification****Item 1** (proposed by the Board of Directors)

Proposal: Please ratify the Company's report on 2006 final financial statements.

Explanation: 1. The Company's 2006 financial statements have been audited and attested by Deloitte & Touche and reviewed by the Supervisors.  
2. Please ratify the financial statements (see Attachment IV for details) and the 2006 Business Report (see Attachment I for details).

Resolution:

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

Proposal: Please ratify the Company's 2006 proposal for earnings distribution.

Explanation: The Board of Directors has drafted the Company's 2006 proposal for surplus distribution as shown in the table below in accordance with The Company Act and the Company's Articles of Incorporation for your ratification.

Advanced Semiconductor Engineering, Inc.  
2006 Surplus Distribution Proposal

Unit: NT\$

Items	Amount
Amount available for distribution	
1. Accumulated losses from the previous year	\$ (431,107,030)
Plus net profit for this year	17,416,150,709
<b>Total:</b>	<b>\$ 16,985,043,709</b>
Items for distribution:	
1. Appropriation of legally earned surplus reserve	\$ 1,698,504,368
2. Appropriation of remuneration for directors and supervisors	300,000,000
3. Appropriation of employee bonus (Note 1)	1,070,057,000
4. Distribution of shareholders' bonus (Note 2)	13,882,021,422
5. Undistributed earnings carried over to next fiscal year	34,460,889
<b>Total</b>	<b>\$ 16,985,043,679</b>

Note 1: Of the NT\$1,070,057,000 employee bonus appropriated this time, NT\$535,028,500 was distributed in cash and the remaining NT\$535,028,500 was distributed in stocks, processing for issuance of 53,502,850 new shares for capital increase by employee bonus.

Note 2: The shareholders' bonus distributed this time totaled NT\$13,882,021,422, NT\$3 per share, of which NT\$6,941,010,712 was distributed in cash, cash dividend of NT\$1.5 per share and the remaining NT\$6,941,010,712 was distributed in stocks, i.e., 150 shares of stock dividend as gratuitous surplus-turned capital increase for each 1,000 shares held. With respect to the above-mentioned cash dividend rate and stock dividend rate, the calculation was based on the 4,627,340,475 shares registered in the roster of shareholders as of March 20, 2007. Later, if the Company's ECB holders



exercise the right of conversion, or new shares issued to employees against Employee Stock Option warrant, or buyback of the Company's stocks, or transfer or cancellation of the Company's treasury stocks, which affect the cash distribution rate and stock distribution rate of the shareholders' bonus, requiring adjustment, the management will request the shareholders' meeting to authorize the board of directors to handle the situation plenipotentiarily and make the adjustment accordingly.

Resolution:

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## Matters for Discussions

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

Proposal: Please discuss the issue of issuance of new shares for capital increase by surplus and employee bonus.

- Explanation: 1. In conjunction with the plant expansion plan, the Company contemplates to use the shareholders' bonus of NT\$6,941,010,710 and employee bonus of NT\$535,028,500, totaling NT\$7,476,039,210 due for distribution in 2006 for capital increase of 747,603,921 shares at NT\$10 par value.
2. Method of distribution of new shares: 150 shares of stock dividend as gratuitous surplus-turned capital increase for each 1,000 shares held registered on the roster of shareholders as of March 20, 2007. Later, if the Company's ECB holders exercise the right of conversion, or new shares issued to employees against Employee Stock Option warrant, or buyback of the Company's stocks, or transfer or cancellation of the Company's treasury stocks, which affect the cash distribution rate and stock distribution rate of the shareholders' bonus, requiring adjustment, the management will request the shareholders' meeting to authorize the board of directors to handle the situation plenipotentially and make the adjustment accordingly. Shareholders are advised to consolidate the odd share of less than one share to make up one share by their own means for registration within 5 days as of the base date for distribution of new shares. Where the insufficient and inadequate part will be paid in cash by the par value. The board of directors has authorized the chairman to assign a specific person to purchase odd shares of less than one share. In addition, distribution of new shares for employee bonus-turned capital increase, the Company's by laws and the Company's Measures Concerning Distribution of Employee Bonus shall govern.
3. The rights and obligations of new shares shall be equal to the older ones.
4. Ex-rights base date: It shall be set separately, pending resolution passed by the shareholders' meeting and approval by the competent regulatory authority.
5. The plant expansion plan by the capital increase of this time shall be completed by December 2010. Implementation of such plan is expected to enhance the Company's competitiveness, elevate the benefit of operation efficiency and is passively beneficial to the shareholders' equity. If the competent regulatory authority deems it necessary to change any of the various items set for this capital increase case, or changes must be made to meet the objective environment, the board of directors is authorized to act at its discretion.

Resolution:

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

Proposal: To meet the requirements for larger production capacity in future the Company

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needs to enrich its operation capital in order to repay bank loans or the needs for other long-term development use, thereby enabling the fund-raising channels more diversified and flexible. As such, the shareholders' meeting is requested to authorize the board of directors to opt at the optimal time, depending on the market situation and the status of capital needs of the Company and in accordance with existing laws and regulations, for capital increase in cash by issuing common shares or joining the issuance of GDR (Global depository receipts) or domestic capital increase in cash or issuance of domestic or ECB to raise fund. The case is being presented for discussions.

Explanation: 1.

The principles to authorize the board of directors to issue new common shares and GDR for capital increase in cash shall be as follows:

1.1 Issuance of common shares in the form GDR for capital increase in cash shall be limited to 500,000,000 shares only. The shareholders' meeting shall authorize the board of directors and the chairman of the board to make the adjustment by the market condition and issue the authorized GDR's all at once.

1.2 In conducting issuance of new shares in the form of GDR for capital increase in cash, the issuance price shall be by the rules set forth in the Self-discipline Rules Concerning Subscription and Issuance of Securities by the Issuing Company Member Underwriters Have Assisted in the Process, i.e., the issuance price shall not be lower than the closing price of the Company's common stock at the domestic open market. Take the simple arithmetic mean of the closing price of the common share on the first, third and fifth day prior to the price-setting day, minus 90% of the average stock price after gratuitous ex-rights and ex-interest, then comes the price for the new issue. However, the price-setting method may be duly adjusted if related domestic laws and regulations are updated. Since the stock price at home has often experience drastic volatility in the short run, the chairman of the board is authorized to set the actual issuance price within the above-mentioned price range, after having consulted with underwriter taking into consideration the international general practice, international capital market, domestic market price, the overall subscription status so as to make the offering price attractive to overseas investors. Consequently, the price-setting method should be reasonable. Additionally, the deciding method for the issuance price of GDR is based on the fair trading price of common shares at the domestic open market whereas the original stockholder may purchase the common shares at domestic stock exchange at the price close to the issuance price of the GDR, without bearing the exchange rate risk and liquidity risk. Moreover, the tranche of issuance of new shares and GRD for capital increase in cash do not affect much of the shareholders' equity as the highest dilution ratio in relation to the original shareholders' equity stands only at 10.81%.

1.3 10% of common shares issued for capital increase in cash shall, according to Article 267 of The Company Act, be reserved for subscription by company employees and the remaining 90% will be



fully appropriated for open issuance as the securities for GDR as the original shareholders have waived their rights for subscription in accordance with Article 28-1 of the Securities Trading Act. For the part that employees have not subscribed, the chairman of the board is authorized to contact specific party for purchase or, depending on the market requirements, list as the original securities for participation in the issuance of GDR.

1.4 The proceeds for capital increase in cash from subscription to the GDR shall be used for overseas procurement of materials, enrichment of operation capital, repayment of bank loans, purchase of machinery and equipment, spin-off in one or multiple use and is expected to complete the implementation within 2 years after the fund is fully raised. Implementation of the said plan is expected to intensify the Company's competitiveness, enhance the benefit of the operation efficiency, producing positive benefit to shareholders.

1.5 The board of directors is authorized to set the major contents of the capital increase in cash plan, which includes issuance price, number of shares issued, issuance conditions, source of capital, plan items, amount of fund raised, estimated progress and estimated probable effect generated as well as the issuance plan of participation in the issuance of GDR.

1.6 Once the plan for capital increase in cash is approved by the competent regulatory authority, the board of directors will be authorized to proceed with matters related to issuance of new shares.

1.7 If the agreement on issuance time, issuance condition, issuance volume, issuance amount of capital increase in cash and participation in issuance of GDR as well as other matters related to capital increase in cash and participation in issuance of GDR needs update in future due to the decision by the competent regulatory authority and on the basis of operation evaluation, or the needs of objective environment, the board of directors shall be authorized to handle at its full discretion.

1.8 In conjunction with the issuance method of common shares for capital increase in cash and participation in GDR issuance, the chairman of the board or his designated representative is authorized to represent the Company in signing all documents related to the participation in the issuance of GDR as well as handling all needed matters related to the participation in the issuance of GDR.

1.9 For matters that are not covered herein, the board of directors may, in accordance with law, proceed at its discretion.

2. The principles to authorize the board of directors to conduct capital increase in cash at home shall be as follows:

2.1 Number of new shares issued for capital increase in cash shall not be in excess of 500,000,000 shares.

2.2 The par value of the new shares for capital increase in cash shall be NT\$10 each. Actual issuance price shall be by related rules set forth in the Self-discipline Rules Concerning Subscription and Issuance of Securities by the Issuing Company Member Underwriters Have Assisted in the Process and the market condition at the time of issuance. The chairman of the board and the underwriter may reach an agreement on the issuance in consideration of all the conditions mentioned above, which shall be subject to the approval by the competent regulatory authority before the issuance.

2.3 The issuance method of new shares for the capital increase in cash shall be by price enquiry and selected purchase. With the exception of 10%-15% reserved for employees as required by Article 267 of The Company Act, the rest will be offered for public issuance as all original shareholders have waived



their rights to subscribe according to Article 28-1 of the Securities Trading Act. In addition, if the Company's employees have not subscribed sufficiently and adequately or waived the right to subscribe, the chairman may contact specific party for purchase.

2.4 The proceeds for capital increase in cash from subscription to the GDR shall be used for overseas procurement of materials, enrichment of operation capital, repayment of bank loans, purchase of machinery and equipment, spin-off in one or multiple use and is expected to complete the implementation within 2 years after the fund is fully raised. Implementation of the said plan is expected to intensify the Company's competitiveness, enhance the benefit of the operation efficiency, producing positive benefit to shareholders.

2.5 The board of directors is authorized to set the major contents of the capital increase in cash plan, which includes issuance price, number of shares issued, issuance conditions, plan items, amount of fund raised, estimated progress and estimated probable effect generated as well as the issuance plan of participation in the issuance of GDR.

2.6 Once the plan for capital increase in cash is approved by the competent regulatory authority, the board of directors will be authorized to set the base date for capital increase.

2.7 With respect to the manner of issuance as mentioned in Section 2.3 above, the board of directors is authorized to make the amendment at its full discretion if amendment becomes necessary due to update of laws or regulations or the objective environment dictates the amendment.

2.8 For matters that are not covered herein, the board of directors may, in accordance with law, proceed at its discretion.

3. The principles to authorize the board of directors to conduct capital increase in cash by issuance of convertible corporate bond at home and ECB overseas:

3.1 Estimated number of shares for conversion: Not to exceed the number of shares registered in the application for update of the Company's profit-seeking registration card.

3.2 Time of issuance: It depends on the capital needs by the Company and the market condition.

3.3 Interest rate: In principle, it shall be by the market interest rate then prevailing in the marketplace and reasonable, if possible.

3.4 Issuance duration: It depends on the capital needs by the Company

3.5 Issuance condition: Subject to negotiation with the lead underwriter and existing laws and regulations.

3.6 The proceeds from subscriptions to the domestic convertible corporate bond and ECB overseas shall be used for overseas procurement of materials, enrichment of operation capital, repayment of bank loans, purchase of machinery and equipment, spin-off in one or multiple use and is expected to complete the implementation within 2 years after the fund is fully raised. Implementation of the said plan is expected to intensify the Company's competitiveness, enhance the benefit of the operation efficiency, producing positive benefit to shareholders.



3.7 The board of directors is authorized to set the issuance measures, amount of fund raised, plan items, estimated progress as well as estimated probable effect generated.

3.8 In conjunction with the issuance of the convertible corporate bond the chairman of the board or his designated representative is authorized to represent the Company in signing all documents related to the issuance of the convertible corporate bond as well as handling all needed matters related to the issuance of the convertible corporate bond.

3.9 For matters that are not covered herein, the board of directors may, in accordance with law, proceed at its discretion.

Resolution:

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

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

Explanation: 1.

In conjunction with the implementation of Communique #34 for Financial and Accounting Guidance and for consideration of the Company's business growth, increased expenditure of business volume and foreign currency position which requires a larger hedge position, it has become inappropriate to operate by the tranche of the net value as stated in the financial statement. In order to meet the actual needs, the Company's board of directors had passed a resolution on December 21, 2006 to revise Article 18 of the Company's Procedure for Acquisition or Disposal of Assets.

2.

In compliance with the revised Guidelines for Handling Acquisition or Disposition of Assets by Public Companies announced by Financial Supervisory Commission, Executive Yuan on January 19, 2007, the Company's board of directors passed a resolution on March 29, 2007 to revise part of the provisions of the Company's Handling Procedure for Acquisition or Disposal of Assets.

3.

For details of the table of comparison of the revised provisions of the Procedure for Acquisition or Disposal of Assets, please refer to Attachment V to this Agenda Manual. Your consent is solicited.

Resolution:

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

Proposal: Please discuss the revised version of the Company's Articles of Incorporation.

- Explanation:**
1. In order to meet the operation needs of the Company, part of the provisions of the Company's Articles of Incorporation are suggested for revision.
  2. Please refer to Attachment VI for the table of comparison of the revised Articles of Incorporation.:

Resolution:

**Other Proposals and Extempore motions**

**Meeting Ended**

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## Business Report

As we look back over 2006, it is very apparent that the packaging industry continued the growth trend which started in 2005, steadily growing over the course of the year. The testing industry, however, experienced massive growth in 2006 compared to 2005, thanks in short to the tremendous demand that supply was unable to meet in full. In short, the production value of the packaging industry in Taiwan grossed NT\$210.8 billion, or an 18.4% growth over 2005 while the production value of the testing industry netted NT\$92.4 billion, showing a massive growth of 36.9% over 2005. In recent years, globalization has increasingly become an international economic trend, driving businesses to focus on the needs of their global customers while quickly responding to volatile market dynamics. In order to meet emerging market trends of the global electronic industry, we have put in place major initiatives, which aim to aggressively expand our operational territory while building up our international competitiveness. Such initiatives are key to ASE's continued market leadership, enabling the company to further pull away from our competitors. The following is our report on the company's operation for the past year:

### Operation results of 2006

#### 1. Implementation results of business plan for 2006

The Company's consolidated net revenue in 2006 stood at NT\$100.4 billion, an increase of NT\$16.4 billion, or close to 20% growth compared to 2005.

In anticipation of increasing demand for DRAM connected with the launch of the Microsoft's Vista, we joined hands in 2006 with Powerchip Semiconductor Corp. to form Power ASE Technology, stepping into the DDR2 packaging market and enhancing our existing package portfolio. In another major move, we also spun out the packaging materials business of the group, and established the independently operated ASE Electronics, Inc. These two entities remain under the ASE Group umbrella, meeting emerging market needs and trends. Additionally, we successfully applied to appropriate government regulatory agencies for the acquisition of Global Advanced Packaging Technology on Mainland China, becoming the first approved Taiwan-based firm to engage in low-end IC packaging and testing in China. It is an exciting time for ASE, with the company making forays into new markets, and successfully striving to meet the many opportunities and challenges which globalization and the digital economy present.

#### 2. Status of budget implementation



In 2006, the Company made no open financial forecast.

3. Financial revenue and expenditure and analysis of profitability

Until the end of 2006, the Company's paid-in capital stood at NT\$45,925,086 thousands, shareholders' equity at NT\$66,019,899 thousands, accounting for 65% of the total assets of NT\$100,852,040 thousands while the ratio of long-term capital accounted for 246% of the fixed assets and current ratio was 131%. In other words, the financial structure and credit standing of the Company for this year have obviously improved compared to the last term. The after-tax net profit and operating benefit were NT\$17,416,151 thousands and NT\$12,577,064 thousands respectively. In short, performance of the overall operating results and profitability was far better than the previous term.

4. Status of research and development

ASE has an extremely talented and highly-dedicated R&D team, completely focused on creating the best possible packaging and test solutions. Over the past year, System-in-Package (SiP) has increasingly become the advanced configuration of choice, especially for customers looking for thinner, smaller and high-performance packages. The team is also focused on the development of integration solutions of various positive and passive components, sensors and actuators. The R&D continues to see good progress, specifically related to some new technologies successfully developed in 2006. These include RDL electroplated thick copper technology, DDR2 800 packaging and testing project, 65 nano Cu manufacturing process/lead-free flip chip packaging and welding wire packaging of ultra-low dielectric coefficient wafer, low-temperature PI manufacturing process technology, flip chip and blended welding wire stack technology, 2-layer stack chip scale packaging, lead frame flip chip QFN and external leadless Map PoP stack technology. Given the strong demand for PC, communications and consumer electronic products, the Company continues to contribute to the R&D of related equipment and advanced packaging and testing technologies such as flip chip, BGA, CSP and SiP, in order to maintain our global leading position in the industry.

**Overview of operation plan for 2007**

1. Operation guidelines

To provide our customers extremely high quality service;

To create long-term and steady profit for both the company and customers;

To jointly create promising future with our contractors;

To train employees to become leaders of the particular field they are hired for;

To treat our employees fairly and squarely;

To provide our employees a working environment featured by "harmony, pleasantness and openness"; and

To maintain flexibility as much as we can in routine operation.

2. Estimated sales volume and basis for the estimate

Based on the overall economic condition, future market need, and the production capacity of the Company, we estimate our 2007 sales as follows:

Sales Items	Estimated Sales Volume
Packaging	Approx. 4.9 billion pcs
Testing	Approx. 800 million pcs

3. Important production and marketing policy

In recent years, most 3C electronic product components have relied on high-end packaging. In the circumstances where global expansion of high-end packaging production capacity is limited, we estimate that the packaging and testing market uptick could last all the way to 2008. According to an IEK report focused on 2006 IC production value of Taiwan, the macro direction of continuous growth in 2007 remains unchanged, judging by the overall packaging and testing industry at present. With the approach of 2008 Olympics, it is estimated that related demand will not abate and, as such, growth of the packaging and testing industry in the immediate two years could be very promising.

**Company's Future development strategy**

According to statistics released by iSuppli, global sales of semiconductor in 2007 will see 10.6% growth compared to 2006, grossing from US\$258.5 billion to US\$285.8 billion. The future of the semiconductor industry looks promising for ASE, primarily due to the steady market for electronic equipment and the steady average selling price for chips. The strongest growth sectors are estimated to include data processing, radio communications, and consumer electronic products. iSuppli forecasts that the sale growth of semiconductor will slow down to 8.7% in 2008, reaching the bottom of 3.7% in 2009 and bouncing back to 7.4% in 2010. This trend of mild cyclic fluctuation reflects that the momentum of the semiconductor industry has changed as the average growth rate of the semiconductor industry has continued to drop in the past decade until it stabilized at 7-9%.

In this respect, we are glad to say that this Company fully embraced 2007, and all that it offers. We have strengthened our structure to respond to the ever-changing global environment and positioned ourselves in the packaging and testing industry.

**Impact brought upon by external competitive environment, law enforcement environment and economic environment**

Going forward, ASE has strategically positioned itself to aggressively and effectively meet the demands and challenges presented by the advent of globalization. With the exception of few giant chip makers, the size of other semiconductor makers is relatively small. We estimate that M&As will become a natural trend for the industry in the near future. ASE will continue review any interested parties, as the Company understands that the global integration for the semiconductor industry will accelerate the growth and expansion of our company so that we may expect to create even higher profit for our shareholders, thus realizing the consistent goal and expectation of the management team.

**Jason C. S. Chang**  
**Chairman**

**Richard H. P. Chang**  
**Vice Chairman**

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**Supervisors' Report**

To: 2007 Shareholders' General Meeting

We have examined the Company's 2006 financial statements, and the Company's business report, earnings distribution proposals, etc. that have been prepared and submitted by the Board of Directors and audited and attested by certified public accountants, Chiang Jia-Ling and Tseng Kung-Min of Deloitte & Touche, and do not find any discrepancy. We hereby respectfully prepare and present this Report in accordance with Article 219 of The Company Act for your review.

Advanced Semiconductor Engineering, Inc.

Supervisors: Feng Mei-Jean

John Ho

Liu Hsiao-Ming

Chen Tien-chi

Tseng Yuan-Yi

April 25, 2007

**Advanced Semiconductor Engineering, Inc.**

**Rules of Procedure for the Board of Directors Meeting**

1. These Rules are specially set in accordance with Article 2 of the Regulations Governing Official Business Rules on Discussions by the Board of Directors for Public Companies in order to establish the Company's fine board governance system, sound and supervisory functions and intensify management mechanism.

2. The official rules on discussion by the Company's board of directors primarily include contents of discussions, operation procedure, and minutes of discussions where items, announcement and other matters to be adhered to will be entered. In all, they should be carried out according to these Official Business Rules.

3. The Company's board of directors should at least meet once in each and every quarter.

Convention of the board meeting should state the main content, and notify each and every director and supervisor 7 days in advance. In case of emergency, the board meeting may be convened at any time.

Matters listed under Article 12(1) of the Rules hereof shall, unless in case of emergency and with proper cause, be listed in the main content of the notice and shall not be proposed as extempore motion.

4. The Company's board of director's designated business discussion unit is Finance Division.

The business discussion unit should draw up contents of the board meeting and provide sufficient and adequate information for delivery to all concerned at the time of sending the notice for convention.

If any of the directors believes that the meeting information is not adequate, the director may request the business discussion unit to make the supplement. In case director believes that the information on the agenda is not sufficient, the board of director may resolute to postpone review of the agenda.

5. When the boarding meeting is convened, there should be the sign-in book for the attending directors to sign so as to serve as future reference.

Directors are required to attend the boarding in person. If any director is unable to attend in person, he/she may, in accordance with the established company rules, consign other director to be present on his/her behalf. If a director attends the board meeting via videoconferencing, it shall be deemed present in person.

When a director consigns other director to attend the board meeting, the director is required to issue a proxy each time, stating therein the scope of authorization.

The agent of the above-mentioned two items shall be limited to one proxy by one person only.

6. The venue and time of the board meeting shall be where the Company is located during office hours or at venue and time convenient to directors.

7. The Company's board meeting shall be convened by the chairman of the board who will serve as the chair of the meeting. However, the first board meeting of each term, the

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director who has garnered the most votes in the shareholders' meeting will chair the board meeting. When there are two or more directors who have the right to convene the board meeting, they should select from among them one to be the chair.

In case the chairman of the board is on leave or is unable to exercise the official function for whatever the reason, the vice chairman may act to be the acting chair. If the vice chairman is also on leave or is unable to exercise the official function for whatever the reason, the chairman of the board may designate one director to act. Where the chairman has failed to designate the agent, the directors may select one director from among them to act.

8. When the Company's board meeting is in progress, the Finance Division should prepare related information for the attending directors to check from time to time.

When the boarding meeting is convened, managers of concerned departments who do not serve as the director should, depending on actual situation, be present at the meeting. When necessary, CPAs, attorneys or other professionals should be invited to attend.

The chairman of the board should declare opening of the meeting if the quorum of one-half of directors are present when the meeting time is due. If the quorum has not reached when the meeting time is due, the chairman may declare postponement of the meeting and the number of times for postponement is limited to twice only. The total time of postponement shall not be in excess of one hour and, if after two times of postponement, the quorum remains unfilled, the chairman may in accordance with the procedure specified in Article 3(2) of the Rules hereof declare reconvening of the meeting.

9. The process of the Company's board meeting should be fully videorecorded for file, which shall be kept at least for 5 years. The storage manner may be in electronic form.

The above rule will not apply prior to the expiry of the storage deadline if related issue the board has resolved involves litigation, in which case the related video tapes and information should be kept on file continuously.

Where the meeting is convened in the form of videoconferencing, the meeting recording and video tape shall be deemed as part of the meeting minutes and should be kept on file permanently.

10. Contents of agent of the Company's regular board meeting should at least contain the following matters:

- |        |   |
|--------|---|
| 10.1   | Reports on:   |
| 10.1.1 | Meeting minutes of last meeting and status of implementation. |
| 10.1.2 | Important financial business report.                          |
| 10.1.3 | Internal audit business report.                               |
| 10.1.4 | Other important reports.                                      |
| 10.2   | Discussions   |
| 10.2.1 | Matters of discussions reserved from last meeting.            |
| 10.2.2 | Matters of discussions scheduled for last meeting.            |

11.

The Company's board meeting should proceed in accordance with the scheduled contents of business discussion. However, the agenda may be changed with the consent of more than half of the directors present at the meeting.



Unless with the consent of more than half of the directors present at the meeting, the chair of the meeting shall not unilaterally declare meeting ended should there be unfinished discussions of the above-mentioned contents of business discussion and extempore motions.

In the course of the board meeting, if the attending directors at the meeting are less than half of the directors, the chair may, following motion by attending director, announce temporary recession and Article 8(3) shall govern.

12. The following matters shall be brought up to the board meeting for discussions:

12.1 The Company's operation plan.

12.2 Annual financial report and semi-annual financial report.

12.3 Internal control system stipulated or revised according to Article 14-1 of the Securities Trading Act, hereinafter STA.

12.4 Disposal procedure for major financial business such as acquisition or disposal of assets, transactions of derivative products, capital loan out to other party, endorsement or guarantee for other party stipulated or revised in accordance with Article 36-1 of the STA.

12.5 Collection, issuance or by private placement of securities with the nature of share ownership.

12.6 Appointment or dismissal of financial, accounting or internal auditing executives.

12.7 Matters that should be resolved by the shareholders' meeting or brought upon the board of directors in accordance with Article 14-3 of the STA or by other ordinance or laws or regulations or major matters the competent regulatory authority has stipulated.

Matters that independent director submits to the board meeting in accordance with Article 14-3 of the STA requires personal appearance of the independent director before the board and should not be done by other non-independent director. If the independent director has any differing or reserved opinion, it should be clearly entered into the meeting minutes. If the independent director is unable to attend the meeting to personally express the differing or reserved opinion, unless with proper cause, it should be submitted in advance in writing, which should be entered into the meeting minutes.

13. When the chair deems the motion being discussed has reached the state for voting, he/she may announce stop of discussions and bring the case for voting.

When the voting of a motion is being taken, it shall be deemed passed if there is no objection from the attending directors once the chair has made the enquiry, which shall have the same effect as does the voting. If, however, there is objection, the case should resort to voting.

The chair may choose one of the following methods to decide the manner of voting. If there are objections, the voting shall be decided by the opinion of the majority:

13.1 Vote by raising one's hands.

13.2 Vote by casting the ballot.

14.

Unless stipulated by the STA or The Company Act, resolutions of motions by the Company's board of directors require presence of over half of the directors and consent of half of the directors present at the meeting.

If there is revision and alternative for the same motion, the chair should combine the original case and vote for the sequence of order. However, if one of them has passed, the other one shall be deemed as veto, requiring no more voting.

Where it is necessary to set monitor or vote counter with regard to voting of a motion, the chair should make the appointment. But the monitor must have the status of director.

The voting results should be announced on the site and enter into records.

15. Where there is conflict of interest that involves the interest of the director or the corporate shareholder the director represents, the concerned director shall not enter into the discussions or voting nor act as agent to cast the vote.

Where the director is not allowed to exercise the voting right with regard to the board's resolution in accordance with the rules specified in the foregoing paragraph, Article 180(2) applying Article 206-2 of The Company Act shall govern.

16. Business discussions at the board meeting of the Company must enter into minutes, which should precisely and correctly enter the following items:

16.1 Session and term as well as time and venue of the meeting.

16.2 Names of those present at the meeting.

16.3 Status of attendance, including names of those present, on leave and absent in addition to the number of persons present.

16.4 Names and positions of those invited to the meeting.

16.5 Name of the rapporteur

16.6 Matters of reports.

16.7 Matters for discussions: Resolution method and results of each and every motion, abstract of speech delivered on the podium by directors, supervisors, experts and other personnel, differing or reserved opinion with record or written statement and the written opinion made by independent director according to Article 12(2) hereof.

16.8 Extempore motions: Name of the initiator resolution method and results of each and every motion, abstract of speech delivered on the podium by directors, supervisors, experts and other personnel, differing or reserved opinion with record or written statement.

16.9 Other matter that should be recorded.

If the resolution by the board of directors contains any of the following events, a public announcement, apart from entries in the meeting minutes, should be made within 2 days in the open information observatory station designated by Financial Supervisory Commission, Executive Yuan:

1) Differing or reserved opinion by independent director with record or written statement.

2) Matters that failed to pass the Company's audit committee but have obtained consent of over two-thirds of the directors.

The sign-in book for board meeting is a part of the meeting minutes and should be kept on file permanently.

The chair and rapporteur of the meeting should sign or affix seal on the meeting minutes and a copy of which should be distributed respectively to directors and supervisors within

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20 days after the meeting is ended. The meeting minutes should be listed as a company important file and should be kept on file permanently.

Production and distribution of Item 1 meeting minutes may be done electronically.

17. With the exception of matters mentioned in Article 12(1) that should be brought upon to the board of directors for discussions, the Company's board of directors may, when the board of directors is in recession, authorize the chairman of the board to exercise the right of the board and contents of the authorization are as follows:

17.1 To approve various important contract.

17.2 To approve hypothecation of real estate and other loans.

17.3 To approve purchase or disposal of the Company's general assets and real estate.

17.4 To appoint directors and supervisors of spin-off companies.

17.5 To approve the base date for capital increase or capital decrease, base date for distribution of cash dividend, base date for stock distribution or subscription to stocks, and update of dividend distribution ratio.

18. These Rules are drawn up on December 21, 2006, whose stipulation and revision shall be subject to consent by the board of directors and subsequent report to the shareholders' meeting.

**Advanced Semiconductor Engineering,  
Inc.**

**Financial Statements for the  
Years Ended December 31, 2006 and 2005 and  
Independent Auditors' Report**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of Advanced Semiconductor Engineering, Inc. (the Company) as of December 31, 2006 and 2005, 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 the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 1 to the financial statements, the Company split the related operation, assets, and liabilities of its material segment into its subsidiary, Advanced Semiconductor Engineering Electronics Inc. on August 1, 2006, and acquired 294,930 thousand shares issued by this subsidiary. The related operating income (loss) of the separated material segment for the years ended December 31, 2006 and 2005 has been reflected as separated segment in the statements of income mentioned in the first paragraph.

As discussed in Note 29 to the financial statements, the Company incurred fire damage to its production lines and facilities in Chung Li, Taiwan on May 1, 2005. The Company recognized an estimated loss of NT\$11,849,699 thousand for the damage to its inventories, building, machinery and equipment, less NT\$4,616,000 thousand of insurance receivable in 2005. The Company reached final settlement with the insurers in June 2006 with regards to the fire damage referred to above. The final settlement amount of NT\$7,190,524 thousand, offset by the NT\$4,616,000 thousand recorded in 2005 and the related repair and restoring expenses of NT\$1,043,262 thousand,

was recorded in the current period. The Company also reversed NT\$2,009,102 thousand of previously recorded impairment changes on these fire-damaged building, machinery and equipment due to subsequent value increase. Net amount of NT\$3,540,364 thousand was recognized as a

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gain on insurance settlement and impairment recovery with NT\$2,362,579 thousand and income from separated segment with NT\$1,177,785 thousand, respectively.

As discussed in Note 3 to the financial statements, the Company adopted Republic of China Statement of Financial Accounting Standards No. 34 “Financial Instruments: Recognition and Measurement”, No. 36 “Financial Instruments: Disclosure and Presentation” and other revised Statements on January 1, 2006.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2006 and 2005, and have expressed an unqualified opinion on such financial statements.

February 2, 2007

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.*

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

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

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**ADVANCED SEMICONDUCTOR ENGINEERING, INC.****BALANCE SHEETS****DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2006		2005	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 4)	\$ 4,517,626	5	\$ 4,913,923	5
Available-for-sale financial assets (Notes 2, 6 and 24)	6,316,827	6	-	-
Notes receivable	96,421	-	81,698	-
Accounts receivable, net (Note 7)	5,777,899	6	8,852,651	9
Accounts receivable from related parties (Note 25)	26,950	-	264,863	-
Other receivables	618,430	1	3,157,876	3
Other receivables from related parties (Note 25)	380,791	-	291,934	-
Guarantee deposits	210,227	-	39,831	-
Inventories (Notes 2 and 8)	3,113,763	3	6,166,166	7
Deferred income tax assets, net (Notes 2 and 21)	1,814,867	2	1,289,294	2
Prepayments and other (Notes 3 and 24)	149,093	-	130,096	-
<b>Total current assets</b>	<b>23,022,894</b>	<b>23</b>	<b>25,188,332</b>	<b>26</b>
<b>LONG-TERM INVESTMENTS</b>				
Held-to-maturity financial assets (Notes 2, 3 and 24)	50,000	-	50,000	-
Financial assets carried at cost (Notes 2, 3, 9 and 24)	357,076	-	58,083	-
Equity method investments (Notes 2 and 10)	36,856,450	37	29,805,833	31
Prepayment for long-term investments	-	-	8,083	-
<b>Total long-term investments</b>	<b>37,263,526</b>	<b>37</b>	<b>29,921,999</b>	<b>31</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11, 26 and 27)</b>				
<b>Cost</b>				
Land	1,558,201	2	1,558,201	2
Buildings and improvements	15,971,310	16	17,484,375	18
Machinery and equipment	49,219,337	49	55,773,701	57
Transportation equipment	62,872	-	69,851	-
Furniture and fixtures	970,152	1	1,045,573	1
Leased assets	244,426	-	3,202,656	3
<b>Total cost</b>	<b>68,026,298</b>	<b>68</b>	<b>79,134,357</b>	<b>81</b>
Accumulated depreciation	35,884,646	36	36,932,677	38
	32,141,652	32	42,201,680	43
Construction in progress	719,429	-	1,757,038	2
Machinery in transit and prepayments	774,057	1	2,526,387	2
Accumulated impairment	-	-	10,055,588	10
<b>Net property, plant and equipment</b>	<b>33,635,138</b>	<b>33</b>	<b>36,429,517</b>	<b>37</b>

INTANGIBLE ASSETS (Note 2)				
Patents	4,081	-	-	-
Goodwill	957,167	1	1,380,830	1
<b>Total intangible assets</b>	<b>961,248</b>	<b>1</b>	<b>1,380,830</b>	<b>1</b>
OTHER ASSETS				
Rental assets (Notes 2 and 12)	3,127,090	3	-	-
Guarantee deposits (Note 24)	17,172	-	159,659	-
Deferred charges, net (Notes 2 and 27)	1,030,371	1	1,495,142	2
Deferred income tax assets (Notes 2 and 21)	1,662,990	2	2,939,964	3
Restricted assets (Notes 24 and 26)	126,867	-	138,715	-
Other	4,744	-	22,795	-
<b>Total other assets</b>	<b>5,969,234</b>	<b>6</b>	<b>4,756,275</b>	<b>5</b>
<b>TOTAL</b>	<b>\$ 100,852,040</b>	<b>100</b>	<b>\$ 97,676,953</b>	<b>100</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ -	-	\$ 2,480,008	3
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	338,318	-	210,611	-
Derivative financial liabilities for hedging (Notes 2 and 3)	-	-	129,179	-
Accounts payable	4,721,819	5	7,784,399	8
Accounts payable to related parties (Note 25)	843,411	1	948,080	1
Income tax payable (Note 21)	911,455	1	15,537	-
Accrued expenses (Note 17)	1,556,582	2	2,087,615	2
Other payable to related parties (Note 25)	489,489	-	678,917	1
Payable for properties	989,286	1	2,068,656	2
Other payable (Note 3)	1,088,557	1	308,054	-
Current portion of bonds payable (Notes 2, 14 and 24)	3,798,233	4	-	-
Current portion of long-term bank loans (Notes 15 and 24)	210,000	-	2,775,290	3
Temporary receipts (Note 7)	2,311,321	2	845,201	1
Current portion of capital lease obligations (Notes 2, 16 and 24)	65,921	-	366,472	-
Other	251,761	-	71,530	-
<b>Total current liabilities</b>	<b>17,576,153</b>	<b>17</b>	<b>20,769,549</b>	<b>21</b>

<b>LONG-TERM DEBTS</b>				
Long-term bonds payable (Notes 2, 14 and 24)	5,758,611	6	9,361,902	10
Long-term bank loans (Notes 15 and 24)	10,835,267	11	19,495,992	20
Capital lease obligations (Notes 2, 16 and 24)	37,038	-	345,668	-
<b>Total long-term debts</b>	<b>16,630,916</b>	<b>17</b>	<b>29,203,562</b>	<b>30</b>
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	621,489	1	751,888	1
Unrealized intercompany profit (Note 2)	3,583	-	3,705	-
<b>Total other liabilities</b>	<b>625,072</b>	<b>1</b>	<b>755,593</b>	<b>1</b>
<b>Total liabilities</b>	<b>34,832,141</b>	<b>35</b>	<b>50,728,704</b>	<b>52</b>
<b>Capital stock - NT\$10 par value</b>				
Authorized - 7,000,000 thousand shares in 2006 and 6,300,000 thousand shares in 2005				
Issued - 4,592,509 thousand shares in 2006 and 4,557,372 thousand shares in 2005				
	45,925,086	45	45,573,723	47
Capital received in advance (Note 18)	384,428	-	156,228	-
<b>Capital surplus (Note 18)</b>				
Capital in excess of par value	269,027	-	2,093,712	2
Treasury stock	16,768	-	237,503	-
Long-term investment	3,519,973	4	3,585,077	4
<b>Total capital surplus</b>	<b>3,805,768</b>	<b>4</b>	<b>5,916,292</b>	<b>6</b>
Retained earnings (accumulated deficit) (Note 18)	16,985,043	17	(2,745,555)	(3)
<b>Other equity adjustments (Notes 2, 3 and 18)</b>				
Cumulative translation adjustments	1,330,651	1	1,072,511	1
Unrecognized pension cost	(19,041)	-	(17,421)	-
Unrealized gain or loss on financial instruments	416,400	1	(199,093)	-
<b>Total other equity adjustments</b>	<b>1,728,010</b>	<b>2</b>	<b>855,997</b>	<b>1</b>
Treasury stock - 184,713 thousand shares (Notes 2 and 18)	(2,808,436)	(3)	(2,808,436)	(3)
<b>Total shareholders' equity</b>	<b>66,019,899</b>	<b>65</b>	<b>46,948,249</b>	<b>48</b>
<b>TOTAL</b>	<b>\$ 100,852,040</b>	<b>100</b>	<b>\$ 97,676,953</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 2, 2007)

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**ADVANCED SEMICONDUCTOR ENGINEERING, INC.****STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Share Data)**

	2006		2005	
	Amount	%	Amount	%
SALES REVENUES (Notes 2 and 22)	\$ 63,623,648	101	\$ 53,268,920	101
LESS: SALE DISCOUNTS AND ALLOWANCES	557,996	1	578,701	1
NET REVENUES	63,065,652	100	52,690,219	100
COST OF REVENUES (Notes 20, 22 and 25)	46,252,990	73	44,145,172	84
GROSS PROFIT	16,812,662	27	8,545,047	16
OPERATING EXPENSES (Notes 20, 22, 25 and 27)				
Selling	1,102,851	2	936,040	2
General and administrative	1,739,056	3	1,749,123	3
Research and development	1,393,691	2	1,398,776	3
Total operating expenses	4,235,598	7	4,083,939	8
INCOME FROM OPERATIONS	12,577,064	20	4,461,108	8
NON-OPERATING INCOME (Note 22)				
Interest income (Note 24)	99,803	-	81,988	-
Equity in earnings of equity method investees (Notes 2 and 10)	5,102,734	8	-	-
Foreign exchange gain, net(Notes 2 and 24)	99,174	-	57,187	-
Gain on valuation of financial asset, net (Notes 2, 5 and 22)	32,047	-	-	-
Gain on valuation of financial liability, net (Note 3)	-	-	23,870	-
Gain on insurance settlement and impairment recovery(Note 29)	2,362,579	4	-	-
Other	433,594	1	253,013	1
Total non-operating income	8,129,931	13	416,058	1
NON-OPERATING EXPENSES (Note 22)				
Interest expense (Notes 2, 5 and 11)	712,834	1	832,917	1
Equity in losses of equity method investees (Notes 2, 3 and 10)	-	-	55,895	-
Loss on inventory valuation and obsolescence	784,330	1	487,287	1
Loss on valuation of financial liability	219,683	-	-	-
Loss on fire damage (Note 29)	-	-	3,789,465	7
Other	896,468	2	892,852	2

Total non-operating expenses	2,613,315	4	6,058,416	11
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**ADVANCED SEMICONDUCTOR ENGINEERING, INC.****STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Share Data)**

	2006		2005	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX	\$ 18,093,680	29	\$ (1,181,250)	(2)
INCOME TAX EXPENSE(BENEFIT) (Notes 2 and 21)	1,191,628	2	(390,700)	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	16,902,052	27	(790,550)	(2)
OPERATION INCOME (LOSS) FOR SEPARATED OPERATION (NET OF INCOME TAX EXPENSE OF \$117,123 THOUSAND IN 2006 AND INCOME TAX BENEFIT OF \$283,331 THOUSANDS IN 2005) (Notes 21 and 22)	857,105	1	(3,900,637)	(7)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	17,759,157	28	(4,691,187)	(9)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX BENEFIT OF \$114,336 THOUSAND IN 2006 (Notes 3 and 21)	(343,006)	-	-	-
NET INCOME (LOSS)	\$ 17,416,151	28	\$ (4,691,187)	(9)

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
<b>EARNINGS (LOSS) PER SHARE (Note 23)</b>				
<b>Basic EPS (Note 23)</b>				
Income (loss) from continuing operations	\$ 4.11	\$ 3.84	\$ (0.27)	\$ (0.18)
Separated operations	0.22	0.19	(0.96)	(0.89)
Income before cumulative effect of change in accounting principle	4.33	4.03	(1.23)	(1.07)
Cumulative effect of change in accounting principle	(0.10)	(0.08)	-	-
Net income (loss)	\$ 4.23	\$ 3.95	\$ (1.23)	\$ (1.07)

(Continued)





	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Diluted EPS (Note23)				
Income (loss) from continuing operations	\$ 3.92	\$ 3.66	\$ (0.27)	\$ (0.18)
Separated operations	0.21	0.18	(0.96)	(0.89)
Income (loss) before cumulative effect of change in accounting principle	4.13	3.84	(1.23)	(1.07)
Cumulative effect of change in accounting principle	(0.10)	(0.07)	-	-
Net income (loss)	\$ 4.03	\$ 3.77	\$ (1.23)	\$ (1.07)

## PRO FORMA INFORMATION

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

	2006	2005
Net income (loss) for purpose calculation of the basic EPS	\$ 17,416,151	\$ (4,691,187)
Net Income (loss) for purpose calculation of the diluted EPS	\$ 17,582,151	\$ (4,691,187)
Earning (loss) Per Share		
Basic EPS		
Income (loss) from continuing operations	\$ 3.68	\$ (0.17)
Separated operations	0.19	(0.86)
Income (loss) before cumulative effect of change in accounting principle	3.87	(1.03)
Cumulative effect of change in accounting principle	(0.07)	-
Net income (loss)	\$ 3.80	\$ (1.03)
Diluted EPS		
Income (loss) from continuing operations	\$ 3.52	\$ (0.17)
Separated operations	0.18	(0.86)
Income (loss) before cumulative effect of change in accounting principle	3.70	(1.03)
Cumulative effect of change in accounting principle	(0.07)	-
Net income (loss)	\$ 3.63	\$ (1.03)

Had the split not been consummated on August, 2006, the Company's combined operation proforma information after elimination would have been as follows:

	2006	2005
Net revenues	\$ 63,979,138	\$ 53,523,704
Cost of revenues	47,084,244	45,016,287
Gross profit	\$ 16,894,894	\$ 8,507,417
Operating income	\$ 12,512,561	\$ 4,067,730
Net income (loss)	\$ 17,416,151	\$ (4,691,187)

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

(With Deloitte & Touche audit report dated February 2, 2007)

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## ADVANCED SEMICONDUCTOR ENGINEERING, INC.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**  
(In Thousands of New Taiwan Dollars, Except Share Data)

	Common Stock	Capital Received in Advance	Capital Surplus	Retained Earnings Accumulated Deficit  Legal Reserve	Unappropriated Earnings (Accumulated Deficit)	Other Adjustments Cumulative Translation Adjustments	Pension Cost	Unrealized Gain (Loss) Recognized on Financial Instruments	Treasury Stock
BALANCE, JANUARY 1, 2005	\$ 41,000,000	\$ 42,759	\$ 6,972,656	\$ 1,325,944	\$ 4,250,388	\$ 640,379	\$ (4,710)	\$ (107,221)	\$ (2,808,438)
Appropriations of 2004 earnings									
Legal reserve	-	-	-	420,969	(420,969)	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	(75,720)	-	-	-	-
Bonus to employees - cash	-	-	-	-	(9,536)	-	-	-	-
Bonus to employees - stock	255,675	-	-	-	(255,675)	-	-	-	-
Cash dividends - 1%	-	-	-	-	(411,221)	-	-	-	-
Stock dividends - 6.99%	2,878,548	-	-	-	(2,878,548)	-	-	-	-