

ADVANCED SEMICONDUCTOR ENGINEERING INC  
Form 6-K  
July 05, 2011

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

July 5, 2011

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    ☒ X

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: July 5, 2011

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

Advanced Semiconductor Engineering, Inc. and Subsidiaries

Consolidated Financial Statements for the  
Three Months Ended March 31, 2010 and 2011 and  
Independent Accountants' Review Report

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## INDEPENDENT ACCOUNTANTS' 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 subsidiaries (collectively the "Company") as of March 31, 2010 and 2011, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" issued by the Accounting Research and Development Foundation ("ARDF") of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of officers responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is to express an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements of the Company referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan, and accounting principles generally accepted in the Republic of China.

Our reviews also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts and such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of the readers.

/s/ Deloitte & Touche  
Taipei, Taiwan  
The Republic of China  
April 28, 2011

### Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' review report and the accompanying consolidated 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 accountants' review report and consolidated financial statements shall prevail.



## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

MARCH 31, 2010 AND 2011

(Amounts in Thousands, Except Par Value)

(Reviewed, Not Audited)

	2010	March 31 2011			2010	March 31 2011	
ASSETS	NT\$	NT\$	US\$ (Note 2)	LIABILITIES AND SHAREHOLDERS' EQUITY	NT\$	NT\$	US\$
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents (Notes 2 and 4)	\$36,505,020	\$26,958,770	\$916,965	Short-term borrowings (Note 16)	\$20,796,857	\$22,191,294	\$75,000
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,438,453	1,150,284	39,125	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	30,170	259,085	8,000
Available-for-sale financial assets - current (Notes 2 and 6)	2,470,518	129,223	4,396	Hedging derivative liabilities - current (Notes 2 and 22)	3,017	115,239	3,000
Hedging derivative assets - current (Notes 2 and 22)	2,919	140,331	4,773	Accounts payable	23,787,259	23,727,161	80,000
Accounts receivable, net (Notes 2, 3 and 7)	33,396,093	33,098,643	1,125,804	Income tax payable (Note 2)	1,463,000	2,922,331	99,000
Other receivables	1,728,943	1,549,725	52,712	Accrued expenses (Note 17)	5,967,229	8,034,331	27,000
Guarantee deposits - current	541,248	31,317	1,065	Payable for properties	4,314,749	3,698,572	12,000
Inventories (Notes 2 and 8)	12,298,698	13,590,276	462,254	Advance real estate receipts (Note 2)	2,670,814	56,466	1,000
Inventories related to construction business (Notes 2, 9 and 13)	8,387,871	10,409,249	354,056	Current portion of long-term bank loans (Notes 18 and 22)	1,428,827	5,319,701	18,000
Deferred income tax assets - current (Note 2)	1,254,865	869,412	29,572	Current portion of capital lease obligations (Note 2)	9,402	28,284	96,000
Other current assets	2,084,957	2,095,763	71,285		1,813,238	1,648,031	56,000

				Other current liabilities			
Total current assets	100,109,585	90,022,993	3,062,007	Total current liabilities	62,284,562	68,000,495	2,3
LONG-TERM INVESTMENTS				LONG-TERM LIABILITIES			
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	211,854	225,117	7,657	Hedging derivative liabilities - noncurrent (Notes 2 and 22)	285,992	129,371	4,4
Financial assets carried at cost - noncurrent (Notes 2 and 10)	1,035,013	857,930	29,181	Long-term bank loans (Notes 18 and 22)	56,065,647	43,848,133	1,4
Bond investments with no active market - noncurrent (Notes 2 and 11)	133,102	88,254	3,002	Capital lease obligations (Note 2)	2,480	4,125	14
Equity method investments (Notes 2 and 12)	1,049,589	1,278,163	43,475				
				Total long-term liabilities	56,354,119	43,981,629	1,4
Total long-term investments	2,429,558	2,449,464	83,315				
				OTHER LIABILITIES			
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 24 and 25)				Accrued pension cost (Note 2)	3,082,659	3,294,143	11
				Deferred income tax liabilities-noncurrent (Note 2)	197,265	409,770	13
Cost Land	3,025,191	3,074,699	104,582	Other	426,047	360,971	12
Buildings and improvements	44,461,248	51,388,668	1,747,914				
Machinery and equipment	138,284,846	161,370,907	5,488,806	Total other liabilities	3,705,971	4,064,884	13
Transportation equipment	232,431	260,494	8,860				
Furniture and fixtures	5,229,938	4,910,189	167,013	Total liabilities	122,344,652	116,047,008	3,9
Leased assets and leasehold improvements	351,822	426,606	14,511				
Total cost	191,585,476	221,431,563	7,531,686	EQUITY ATTRIBUTABLE			



				TO SHAREHOLDERS OF THE PARENT			
Less: Accumulated depreciation	(116,658,747)	(126,896,555)	(4,316,209)	Capital stock (Note 19)			
Less: Accumulated impairment	(10,815)	(204,732)	(6,964)	Common Stock - at par value of NT\$10 each			
	74,915,914	94,330,276	3,208,513	Authorized - 8,000,000 thousand shares			
Construction in progress	4,720,666	2,130,954	72,481	Issued - 5,488,458 thousand shares and 6,029,118 thousand shares as of March 31,			
Machinery in transit and prepayments	7,111,862	4,643,253	157,934	2010 and 2011, respectively	54,884,582	60,291,184	2,0
				Capital received in advance	102,648	447,236	15
Property, plant and equipment, net	86,748,442	101,104,483	3,438,928	Total capital stock	54,987,230	60,738,420	2,0
				Capital surplus (Notes 2 and 19)			
INTANGIBLE ASSETS (Notes 2 and 14)				Capital in excess of par value	1,354,425	1,331,900	45
Goodwill	13,499,155	10,423,662	354,546	Treasury stock transactions	2,098,817	1,328,472	45
Land use rights	1,639,089	2,206,539	75,052	Long-term investments	3,540,103	3,530,149	12
Other intangible assets	1,365,754	2,492,195	84,769	Employee stock options	-	436,725	14
				Other	656,827	-	-
Total intangible assets	16,503,998	15,122,396	514,367	Total capital surplus	7,650,172	6,627,246	22
OTHER ASSETS				Retained earnings (Note 19)			
Idle assets (Notes 2 and 15)	954,121	1,209,946	41,155	Legal reserve	3,531,034	4,205,489	14
				Unappropriated earnings	9,698,375	20,767,455	70
Guarantee deposits - noncurrent	72,679	87,365	2,972	Net income attributable to shareholders of the parent for the three months ended			
Deferred charges (Note 2)	1,134,178	1,232,463	41,921	March 31	3,395,381	3,973,810	13
Deferred income tax assets -	1,604,356	1,965,845	66,865	Total retained earnings	16,624,790	28,946,754	98

## noncurrent (Note 2)

Restricted assets (Note 24)	210,696	240,044	8,164	Other equity adjustments (Notes 2 and 19)			
Other	16,936	14,710	500	Unrealized gain on financial instruments	95,366	208,816	7,
				Cumulative translation adjustments	3,054,791	(128,634 )	(4,
Total other assets	3,992,966	4,750,373	161,577	Unrecognized pension cost	(248,641 )	(476,250 )	(1,
				Treasury stock - 104,365 thousand shares and 114,792 thousand shares as of March 31, 2010 and 2011, respectively	(1,959,107 )	(1,959,107 )	(6,
				Total other equity adjustments	942,409	(2,355,175 )	(8,
				Total equity attributable to shareholders of the parent	80,204,601	93,957,245	3,
				MINORITY INTEREST	7,235,296	3,445,456	11,
				Total shareholders' equity	87,439,897	97,402,701	3,
TOTAL	\$209,784,549	\$213,449,709	\$7,260,194	TOTAL	\$209,784,549	\$213,449,709	\$7,

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

## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts In Thousands, Except Share Data)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2010	2011	
	NT\$	NT\$	US\$ (Note 2)
NET REVENUES (Note 2)			
Operating revenue	\$37,830,972	\$46,344,530	\$1,576,345
Less: sales returns and discounts	276,442	339,107	11,534
Total net revenues	37,554,530	46,005,423	1,564,811
COST OF REVENUES (Notes 8 and 9)	29,931,507	37,347,751	1,270,332
GROSS PROFIT	7,623,023	8,657,672	294,479
OPERATING EXPENSES			
Research and development	1,301,002	1,631,382	55,489
Selling	515,201	706,287	24,023
General and administrative	1,460,360	1,932,885	65,745
Total operating expenses	3,276,563	4,270,554	145,257
INCOME FROM OPERATIONS	4,346,460	4,387,118	149,222
NON-OPERATING INCOME AND GAINS			
Interest income (Note 22)	53,492	74,795	2,544
Gain on valuation of financial assets, net (Notes 2, 5 and 22)	147,146	114,946	3,910
Gain on valuation of financial liabilities, net (Notes 2, 5 and 22)	-	53,566	1,822
Equity in earnings of equity method investments (Notes 2 and 12)	31,934	132,127	4,494
Dividend revenue (Note 2)	-	578,236	19,668
Other	77,873	224,289	7,629
Total non-operating income and gains	310,445	1,177,959	40,067
NON-OPERATING EXPENSES AND LOSSES			
Interest expense (Notes 2, 13 and 22)	345,462	351,040	11,940
Loss on valuation of financial liabilities, net (Notes 2, 5 and 22)	71,156	-	-
Exchange loss, net (Note 2)	3,420	26,554	903
Impairment loss (Note 2)	14,496	17,844	607
Other	149,011	73,214	2,491
Total non-operating expenses and losses	583,545	468,652	15,941

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## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts In Thousands, Except Share Data)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
INCOME BEFORE INCOME TAX	\$4,073,360	\$5,096,425	\$173,348
INCOME TAX EXPENSE (Note 2)	455,469	963,115	32,759
NET INCOME	\$3,617,891	\$4,133,310	\$140,589
ATTRIBUTABLE TO			
Shareholders of the parent	\$3,395,381	\$3,973,810	\$135,164
Minority interest	222,510	159,500	5,425
	\$3,617,891	\$4,133,310	\$140,589
EARNINGS PER SHARE (Note 21)			
Basic earnings per share			
Before income tax	\$0.60	\$0.73	\$0.02
After income tax	\$0.58	\$0.67	\$0.02
Diluted earnings per share			
Before income tax	\$0.58	\$0.71	\$0.02
After income tax	\$0.57	\$0.65	\$0.02

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

## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$3,617,891	\$4,133,310	\$ 140,589
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,253,503	5,251,238	178,614
Amortization	222,808	395,633	13,457
Compensation cost for employee stock options granted	-	117,578	3,999
Provision for inventory valuation and obsolescence	46,641	40,893	1,391
Equity in earnings of equity method investments	(31,934 )	(132,127 )	(4,494 )
Deferred income taxes	8,743	174,594	5,939
Other	19,654	120,944	4,114
Changes in operating assets and liabilities			
Financial assets for trading	(318,301 )	44,989	1,530
Accounts receivable	(2,363,486)	(253,860 )	(8,635 )
Other receivable	(546,670 )	(9,847 )	(335 )
Inventories	(1,003,700)	(460,390 )	(15,660 )
Inventories related to construction business	(1,136,678)	(283,879 )	(9,656 )
Other current assets	(428,800 )	(285,983 )	(9,727 )
Financial liabilities for trading	(47,870 )	(229,733 )	(7,814 )
Accounts payable	1,071,888	(662,088 )	(22,520 )
Income tax payable	186,169	182,620	6,212
Accrued expenses	329,256	190,674	6,486
Advance real estate receipts	1,163,342	15,091	513
Other current liabilities	324,520	(895,612 )	(30,463 )
Net cash provided by operating activities	5,366,976	7,454,045	253,540

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of available-for-sale financial assets	(5,900,994)	(50,000 )	(1,701 )
Proceeds from disposal of available-for-sale financial assets	7,932,705	272,535	9,270
Acquisition of financial assets carried at cost	(27,126 )	(9,701 )	(330 )
Proceeds from disposal of financial assets carried at cost	7,860	-	-
Acquisition of equity method investments	-	(20,192 )	(687 )
Acquisition of subsidiaries	614,183	-	-
Cash received from return of capital by equity method investments	3,169	-	-

(Continued)



## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
Acquisition of property, plant and equipment	\$(5,713,073 )	\$(6,170,402 )	\$(209,878 )
Proceeds from disposal of property, plant and equipment	107,206	76,282	2,595
Increase in guarantee deposits	(286,672 )	(25,315 )	(861 )
Decrease in other receivables	225,000	-	-
Increase in restricted assets	(8,981 )	(3,528 )	(120 )
Acquisition of intangible assets	-	(7,554 )	(257 )
Increase in other assets	(172,398 )	(125,847 )	(4,281 )
Net cash used in investing activities	(3,219,121 )	(6,063,722 )	(206,250 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	3,928,229	8,036,776	273,360
Proceeds from long-term bank loans	11,619,150	8,418,382	286,340
Repayments of long-term bank loans and capital lease obligations	(4,150,350 )	(14,996,674)	(510,091 )
Decrease in guarantee deposits received	(696 )	(7,524 )	(256 )
Proceeds from exercise of stock options by employees	96,246	430,229	14,634
Increase (decrease) in minority interest	374,864	(22,052 )	(750 )
Net cash provided by financing activities	11,867,443	1,859,137	63,237
EFFECT OF EXCHANGE RATE CHANGES	(67,772 )	311,753	10,603
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,947,526	3,561,213	121,130
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	22,557,494	23,397,557	795,835
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$36,505,020	\$26,958,770	\$916,965
<b>SUPPLEMENTAL INFORMATION</b>			
Interest paid	\$402,272	\$405,751	\$13,801
Less: Capitalized interest	(70,601 )	(48,034 )	(1,634 )
Interest paid (excluding capitalized interest)	\$331,671	\$357,717	\$12,167
Income tax paid	\$445,867	\$605,901	\$20,609

(Continued)





## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
Cash paid for acquisition of property, plant and equipment			
Acquisition of property, plant and equipment	\$6,594,587	\$5,783,566	\$196,720
Decrease (increase) in payable	(881,514 )	386,836	13,158
	\$5,713,073	\$6,170,402	\$209,878
Cash received from disposal of property, plant and equipment			
Proceeds from disposal of property, plant and equipment	\$121,615	\$26,154	\$890
Decrease (increase) in other receivables	(14,409 )	50,128	1,705
	\$107,206	\$76,282	\$2,595
FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS			
Current portion of long-term bank loans	\$4,510,213	\$3,942,240	\$134,090
Current portion of capital lease obligations	1,227	6,985	238

The Company acquired 60.07% shareholdings of Universal Scientific Industrial Co., Ltd (“USI”) in February 2010 for NT\$13,475,056 thousand (Note 2). As of March 31, 2010, the Company had not yet completed the purchase price allocation for the USI acquisition. The net cash payments and carrying values of acquired assets and liabilities of USI at acquisition date were shown as follows:

	NT\$
Current assets	\$29,599,348
Long-term investments	580,834
Property, plant and equipment, net	4,901,347
Other assets	1,122,088
Current liabilities	(19,490,014)
Long-term bank loans (including current portion)	(100,000 )
Other liabilities	(333,735 )
	16,279,868
Equity method investments at acquisition date	(3,346,041 )
Attributable to minority interest	(3,553,378 )
Goodwill (Note 14)	4,094,607
Total consideration	13,475,056
Less: Acquired through delivery of treasury stock	(5,246,916 )
	8,228,140
Less: Cash received of acquired company at acquisition date	(8,842,323 )
Net cash inflow from the acquisition	\$(614,183 )

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

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## ADVANCED SEMICONDUCTOR ENGINEERING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2011

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

(Reviewed, Not Audited)

## 1. ORGANIZATION

Advanced Semiconductor Engineering, Inc. (“ASE Inc.” or including its subsidiaries, collectively the “Company”), a corporation incorporated under the laws of Republic of China (the “ROC”), offers a comprehensive range of IC packaging, testing service, and electronic manufacturing services (“EMS”). The common shares of ASE Inc. are traded on the Taiwan Stock Exchange the (“TSE”) under the symbol “2311”. Since September 2000, the common shares of ASE Inc. have been traded on the New York Stock Exchange under the symbol “ASX” in the form of American depositary shares (“ADS”).

As of March 31, 2010 and 2011, the Company had approximately 43,000 and 49,200 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan, and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Company should make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from these estimates.

## Basis of Consolidation

The consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of ASE Inc. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities of the Company were as follows:

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2011	
ASE Inc.	A.S.E. Holding Limited (“ASE Holding”)	100.0	100.0	Holding company
	J&R Holding Limited (“J&R Holding”)	100.0	100.0	Holding company
	Innosource Limited (“Innosource”)	100.0	100.0	Holding company
	Omniquest Industrial Limited (“Omniquest”)	71.0	70.6	Holding company
	ASE Marketing & Service Japan Co., Ltd.	100.0	100.0	Engaged in marketing and sales services
	ASE Test, Inc.	100.0	100.0	

Engaged in the testing of  
semiconductors

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2011	
ASE Inc.	PowerASE Technology Inc. ("PowerASE")	56.0	55.7	Engaged in the packaging and testing of memory integrated circuits
	USI	53.2	74.2	Engaged in the manufacturing, processing and sale of computer peripherals, computers and related accessories
ASE Test, Inc.	Alto Enterprises Limited ("Alto")	-	100.0	Holding company
	Super Zone Holdings Limited ("Super Zone")	-	100.0	Holding company
Alto	ASE (Kun Shan) Inc. ("ASE Kun Shan")	-	24.5	Engaged in the packaging and testing of semiconductors
Super Zone	Advanced Semiconductor Engineering (China) Ltd.	-	100.0	Will engage in the packaging and testing of semiconductors
ASE Holding	ASEP Realty Corporation	100.0	100.0	In the process of liquidation
	ASE Holding Electronics (Philippines), Incorporated	100.0	100.0	In the process of liquidation
	ASE Investment (Labuan) Inc.	70.0	70.0	Holding company
	ASE Test Limited ("ASE Test")	10.2	10.2	Holding company
	USI	1.5	1.5	As aforementioned
ASE Investment (Labuan) Inc.	ASE (Korea) Inc.	100.0	100.0	Engaged in the packaging and testing of semiconductors
ASE (Korea) Inc.	ASE WeiHai Inc.	-	100.0	Engaged in the packaging and testing of semiconductors and was restructured from J&R Holding in April 2010
J&R Holding	J&R Industrial Inc.	100.0	100.0	Engaged in the leasing equipment and investing activity
	ASE Japan Co., Ltd.	100.0	100.0	Engaged in the packaging and testing of semiconductors
	ASE (U.S.) Inc.	100.0	100.0	After-sales service and sales support
	Global Advanced Packaging Technology Ltd., Cayman Islands ("GAPT Cayman")	100.0	100.0	Holding company
	ASE WeiHai Inc.	100.0	-	As aforementioned

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	Suzhou ASEN Semiconductors Co., Ltd. (ASEN)	60.0	60.0	Engaged in the packaging and testing of semiconductors
	Omniquest	8.6	8.5	Holding company
	ASE Test	89.8	89.8	Holding company
	USI	8.2	8.2	As aforementioned
Innosource	ASE Module (Shanghai) Inc. ("ASE Module Shanghai")	100.0	100.0	Will engage in the production and sale of electronic components and printed circuit boards
	Omniquest	20.4	20.9	Holding company
ASE Module Shanghai	ASE (Shanghai) Inc. ("ASE Shanghai")	0.6	0.6	Engaged in the production of substrates
Omniquest	ASE Corporation	100.0	100.0	Holding company
ASE Corporation	ASE Mauritius Inc.	100.0	100.0	Holding company
	ASE Labuan Inc.	100.0	100.0	Holding company
ASE Mauritius Inc.	ASE Hi-Tech (Shanghai) Inc.	100.0	100.0	Will engage in the production and sale of electronic components and printed circuit boards
	ASE Kun Shan	100.0	75.5	As aforementioned
	ASE Shanghai	98.8	98.8	As aforementioned
	ASE Module (Kunshan) Inc.	100.0	100.0	Will engage in the production and sale of electronic components

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2011	
ASE Shanghai	Shanghai Ding Hui Real Estate Development Co., Ltd. (“Shanghai DH”)	20.4	20.4	Engaged in the development and sale of real estate properties
	Advanced Semiconductor Engineering (HK) Limited	100.0	100.0	Engaged in trading
	Universal Scientific Industrial (Shanghai) Co., Ltd. (“USISH”)	0.5	1.0	Engaged in the designing, manufacturing and processing of new electronic components and 0.5% ownership was restructured from USI Electronics (Shenzhen) Co., Ltd. (“USISZ”) in January 2011
Shanghai DH	Shanghai Ding Wei Real Estate Development Co., Ltd.	100.0	100.0	Engaged in the development and sale of real estate properties
	Shanghai Ding Yu Real Estate Development Co., Ltd.	100.0	100.0	Engage in the development and sale of real estate properties
ASE Labuan Inc.	ASE Electronics Inc.	100.0	100.0	Engaged in the production of substrates
ASE Test	ASE Test Holdings, Ltd.	100.0	100.0	Holding company
	ASE Holdings (Singapore) Pte Ltd	100.0	100.0	Holding company
	ASE Test Finance Limited	100.0	100.0	Engaged in the financing activity
	ASE Investment (Labuan) Inc.	30.0	30.0	Holding company
	ASE Singapore Pte. Ltd. (“ASE Singapore”)	100.0	100.0	Engaged in the testing of semiconductors
ASE Test Holdings, Ltd.	USI	15.2	15.3	As aforementioned
	ISE Labs, Inc.	100.0	100.0	Engaged in the testing of semiconductors
ASE Holdings (Singapore) Pte Ltd	ASE Electronics (M) Sdn. Bhd.	100.0	100.0	Engaged in the packaging and testing of semiconductors
GAPT Cayman	ASE Assembly & Test (HK) Limited	100.0	100.0	Engaged in trading
	ASE Assembly & Test (Shanghai) Limited (“ASESH AT”)	100.0	100.0	Engaged in the packaging and testing of semiconductors
ASESH AT	Shanghai Wei Yu Hong Xin Semiconductors Inc.	100.0	100.0	In the development stage
	ASE Shanghai	0.6	0.6	As aforementioned
	Shanghai DH	69.6	69.6	As aforementioned



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USI	Huntington Holdings International Co., Ltd. (“HHI”)	100.0	100.0	Holding company
	Senetex Investment Co., Ltd.	100.0	100.0	Engaged in the investing activity
	Ta-Chi Investment Co., Ltd.	100.0	100.0	Engaged in the investing activity
HHI	Universal Scientific Industrial De Mexico S.A. De C.V.	100.0	100.0	Engaged in the assembling of motherboards and computer components
	Universal Scientific Industrial (UK) Ltd.	100.0	100.0	After-sales service
	Unitech Holdings International Co., Ltd.	100.0	100.0	Engaged in the investing activity
	USI Japan Co., Ltd.	100.0	-	Engaged in the manufacturing and sale of computer peripherals, integrated chip and other related accessories and was restructured to Universal Global Technology Co., Limited (“UG”) in February 2011.
	Real Tech Holdings Limited (“RTH”)	100.0	100.0	Holding company
	USI International Limited	100.0	100.0	Engaged in the sale of motherboards and computer peripherals

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2011	
HHI	USI@Work, Inc.	100.0	-	After-sales service and was restructured to UG in February 2011.
	Universal ABIT Holding Co., Ltd. ("UABIT Holding")	100.0	100.0	Holding company
	Rising Capital Investment Limited (Rising Capital)	-	100.0	Holding company and established in February 2011.
Rising Capital	e-Cloud Corporate	-	100.0	Established in March 2011 and will engage in the trading of computer systems
RTH	USISZ	100.0	-	Engaged in the designing, manufacturing and sale of motherboards and computer peripherals and other related accessories and was restructured to USISH and UG in March 2011
	Universal Scientific Industrial (Kunshan) Co., Ltd.	100.0	100.0	Engaged in the manufacturing and sale of computer assistance system and related peripherals
	Universal Electronics Holding Co., Ltd. ("UEHC")	100.0	100.0	Holding company
	USISH	0.5	-	As aforementioned
USISZ	USISH	0.5	-	As aforementioned
UEHC	USI Enterprise Limited ("USIE")	100.0	100.0	Holding company
USIE	USISH	99.0	99.0	As aforementioned
USISH	UG	100.0	100.0	Holding company
	Universal Global Technology (Shenzhen) Co., Ltd. ("UGSZ")	50.0	50.0	Engaged in the research and development of computer peripherals
	USISZ	-	50.0	As aforementioned
UG	UGSZ	50.0	50.0	As aforementioned
	Universal Global Industrial Co., Limited	100.0	100.0	Engaged in the manufacturing, trading and investing activities
	Universal Global Scientific Industrial Co., Ltd.	100.0	100.0	Engaged in the manufacturing of components of telecomm and cars and provision of related R&D services
	USI Manufacturing Service, Inc.	100.0	100.0	Engaged in the manufacturing and processing of motherboards

				and wireless network communication and provision of related technical service
	USI Japan Co., Ltd.	-	100.0	As aforementioned
	USI@Work, Inc.	-	100.0	As aforementioned
	USISZ	-	50.0	As aforementioned
UABIT Holding	Universal ABIT NL B.V.	100.0	100.0	Engaged in the trading of motherboards and computer peripherals
	Universal ABIT (Hong Kong) Company Limited	100.0	-	Dissolved in April 2010
	Universal ABIT UK Company Limited	100.0	-	Dissolved in August 2010

(Concluded)

### USI Acquisition

In February 2010, in order to enhance the technical and business cooperation relationship, the Company had launched a cash and stock tender offer to buy the additional outstanding common shares of USI not owned by the Company at a fixed price of NT\$21 per share, which was comprised of a fixed 0.34 share of ASE Inc.'s common shares owned by the subsidiaries, J&R Holding and ASE Test, and a cash consideration

determined pursuant to the formula (equivalent to NT\$21 less 0.34 multiplied by the lowest of the average closing price of ASE Inc.'s common shares for the last one, three and five trading days prior to the last day of the tender offer period). The total consideration was NT\$13,475,056 thousand of which 218,167 thousand shares of ASE Inc. were delivered by the subsidiaries. In addition, ASE Inc. continued to acquire additional outstanding common shares of USI not owned by the Company with a total consideration of NT\$4,667,117 thousand in August 2010. Afterwards, USI repurchased its treasury stock and as a result, the shareholdings in USI held by the Company were increased to 99.2% as of March 31, 2011.

#### EEMS Test Singapore Pte. Ltd. Acquisition

The Company, through ASE Singapore, acquired 100% shareholdings of EEMS Test Singapore Pte. Ltd. (EEMS Test Singapore Pte. Ltd. was renamed to ASE Singapore Pte. Ltd. II) from its parent company, EEMS Asia Pte. Ltd., in August 2010 with a total consideration of US\$ 72,163 thousand. ASE Singapore Pte. Ltd. II was subsequently merged into ASE Singapore on January 1, 2011.

The abovementioned acquisitions were accounted for as a purchase as prescribed by ROC Statement of Financial Accounting Standards ("SFAS") No. 25 "Business Combination-Accounting Treatment under Purchase Method".

#### Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months from the balance sheet date. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Because the Company's real estate business has an operating cycle greater than one year, its classification of current or noncurrent assets and liabilities related to the real estate business is based on its operating cycle.

#### Cash Equivalents

Repurchase agreements collateralized by government bonds with maturities of less than three months from the date of purchase are classified as cash equivalents.

#### Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading. The Company recognizes a financial asset or financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. Cash dividends received subsequently (including those received in the period of investment) are recognized as income for the period. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. A regular way

purchase or sale of financial assets is recognized and derecognized on a settlement date basis.

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A derivative that does not qualify for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair value is determined as follows: Open-end mutual funds - the net asset value; publicly traded stocks - the closing-price at the balance sheet date; bonds and other financial instruments with no quoted price in an active market - using valuation techniques.

#### Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value of financial assets are reported in a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized on a settlement date basis.

The recognition, derecognition and the basis for fair value of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

If certain objective evidence indicates that an available-for-sale financial asset is impaired, a loss is recognized currently; if, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

#### Revenue Recognition, Allowance for Doubtful Accounts and Allowance for Sales Discounts

Revenues from semiconductor packaging and testing services are recognized upon completion of the services or shipment. Revenue from electronic manufacturing services is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment. The amounts received in advance of real estate property are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and significant risk of the real estate property are transferred to customers. Revenue from others is recognized upon completion of the services or delivery of goods because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenues are determined using the fair value taking into account related sales discounts agreed by the Company and customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received or receivable.

As discussed in Note 3 to the consolidated financial statements, the Company adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement" ("SFAS No. 34"). Accounts receivable are assessed for impairment at the end of each reporting period. The Company first assesses whether objective evidence of impairment exists individually for accounts receivable, then includes in a group basis with historical collective experience and similar credit risk characteristics and collectively assesses them for impairment.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. The amount of the impairment loss recognized is the difference between the carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate.

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#### Inventories and Inventories Related to Construction Business

Inventories, including raw materials (materials received from customers for processing, mainly semiconductor wafers, are excluded from inventories as title and risk of loss remain with the customers), supplies, work in process, finished goods, and materials and supplies in transit, are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item by item basis. Net realizable value is the estimated selling price of inventories less all estimated costs to complete production and selling expenses necessary to make the sale. Raw materials and supplies are recorded at moving average cost; work in process and finished goods are recorded at standard cost and adjusted to the approximate weighted average cost at the balance sheet date.

Inventory for property development business includes buildings and land held for sale and construction in progress. Prior to the completion, borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. Construction in progress is transferred to buildings and land held for sale upon completion of the construction. Construction in progress and buildings and land held for sale are stated at the lower of cost or net realizable value and related write-downs are made on an item by item basis. The amounts received in advance of real estate property are first recorded as advance receipts and then recognized as revenue when the construction is completed and the title and significant risk of the real estate property are transferred to customers. Cost of sales of buildings and land held for sale are recognized based on the ratio of property sold to the total property developed.

#### Bond Investments with No Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. Those financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized when the financial assets are derecognized, impaired or amortized.

If certain objective evidence indicates that a bond investment with no active market is impaired, a loss is recognized currently. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

#### Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. The accounting for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. If certain objective evidence indicates that such a financial asset is impaired, a loss is recognized currently. A subsequent reversal of such impairment loss is not allowed.

#### Equity Method Investments

Investments in companies of which the Company owns at least 20% but less than 50% of the outstanding voting shares or where the Company exercises significant influence over the investee companies' operating and financial policy decisions are accounted for using the equity method. The acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired, representing goodwill, shall not be amortized.



When the Company subscribes for additional investees' shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investees differs from the amount of the Company's share in the investee's net equity. The Company records such a difference as an

adjustment to equity method investments with the corresponding amount charged or credited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investment is insufficient, the difference is debited to retained earnings.

Gains or losses from downstream or upstream transactions with equity method investees are eliminated in proportion to the Company's percentage of ownership in the investee.

#### Property, Plant and Equipment and Idle Assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while maintenance and repairs are expensed as incurred.

Assets held under capital leases are initially recognized as assets of the Company at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as capital lease obligations. The interest included in lease payments is expensed when paid.

Depreciation is computed using the straight-line method over estimated service lives, which range as follows: buildings and improvements, 2 to 60 years; machinery and equipment, 2 to 10 years; transportation equipment, 2 to 10 years; furniture and fixtures, 2 to 10 years; and leased assets and leasehold improvements, 3 to 6 years.

Idle assets are stated at the lower of fair value or carrying amount. The carrying amount in excess of the fair value is recognized as an impairment loss. The remaining book value is depreciated using the straight-line method.

When property, plant and equipment and idle assets are retired or disposed of, their cost, accumulated depreciation and accumulated impairment are removed from the accounts and any gain or loss is credited or charged to non-operating income or losses.

#### Intangible Assets

Patents and land use rights purchased are initially recorded at cost. Land use rights, patents, acquired special technology, customer relationships and other intangible assets arising from business acquisitions are initially recorded at fair value at the date of acquisition.

Intangible assets are amortized based on the pattern in which the economic benefits are consumed or using the straight-line method over the estimated service lives, which range as follows: land use rights, 50 to 60 years; others, 3 to 20 years.

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of identifiable net assets acquired. Effective January 1, 2006, goodwill is no longer amortized and instead is tested for impairment annually.

#### Asset Impairment

The Company evaluates whether or not there are indications that assets (primarily property, plant and equipment, intangible assets, assets leased to others and equity method investments) may be impaired as of the balance sheet date. If there are indications, the Company estimates the recoverable amount for the asset. If an asset's recoverable amount is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by

recording an impairment loss. When the recoverable amount subsequently increases, the impairment loss previously recognized is reversed and recorded as a gain. However, the carrying amount of an asset (other than goodwill) after the reversal of the impairment loss should not exceed the carrying amount of the asset that would have been determined, net of depreciation or

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amortization, as if no impairment loss had been recognized.

#### Deferred Charges

Deferred charges mainly consist of tools and computer systems software. Amortization of deferred charge is computed on a straight-line basis over 2 to 5 years.

#### Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under ROC SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted on or before December 31, 2007 were accounted for under the interpretations issued by the ROC ARDF. The Company adopted the intrinsic value method under which compensation cost was recognized on a straight-line basis over the vesting period.

#### Pension Cost

Pension cost under defined benefit plans are determined by actuarial valuations. Contributions made under defined contribution plans are recognized as pension cost during the period in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plans are recognized as part of the net pension cost for the period.

#### Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When ASE Inc. retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - capital in excess of par value are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and capital surplus - capital in excess of par value, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. When treasury stock is disposed of, the book value of the treasury stock is removed from the accounts. When the selling price of the treasury stock exceeds the book value of the treasury stock, the difference is credited to capital surplus - treasury stock transactions.

ASE Inc.'s shares held by its subsidiaries are accounted for as treasury stock and, accordingly, the cost of such shares is reclassified from equity method investments to treasury stock. Cash dividends received by subsidiaries from ASE Inc. are recorded as capital surplus - treasury stock transactions.

#### Income Taxes

The Company applies intra-period and inter-period allocations to its income tax, whereby deferred income tax assets and liabilities are recognized for (1) the items adjusted directly in shareholders' equity and (2) the tax effects of temporary differences, loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a

deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

The taxable temporary differences between the book value and tax basis of equity method investments in foreign subsidiaries are not recognized as deferred income tax liabilities since the Company could control the timing of reversal of the temporary differences and would not reverse them in the foreseeable future and will, in effect, exist indefinitely.

Any tax credits arising from purchases of machinery, equipment and technology and research and development expenditures are recognized using the flow-through method.

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

Income tax on undistributed earnings is recorded by ASE Inc. and subsidiaries under jurisdiction of ROC at the rate of 10% and is recorded as an expense in the year shareholders resolve the distribution of earnings.

#### Foreign Currency Transactions and Translation of Foreign-currency Financial Statements

Non-derivative foreign currency transactions are recorded in local currencies at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates. When a gain or loss on a nonmonetary item is recognized in shareholders' equity, any exchange component of that gain or loss shall be recognized in shareholders' equity. Conversely, when a gain or loss on a non-monetary item is recognized in earnings, any exchange component of that gain or loss shall be recognized in earnings. Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at the balance sheet date; shareholders' equity - historical rates; income and expenses - average rates during the period. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

#### Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

a. Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same period or periods during which the hedged forecasted transaction or an asset or liability arising from the hedged forecasted transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the

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amount that is not expected to be recovered is reclassified into profit or loss.

#### U.S. Dollar Amounts

The Company prepares its consolidated financial statements in New Taiwan dollars. A translation of the consolidated financial statements into U.S. dollars is included solely for the convenience of the reader, and has been translated from New Taiwan dollars at the exchange rate as set forth in the statistical release of the Federal Reserve Board, which was NT\$29.40 to US\$1.00 as of March 31, 2011. The translation should not be construed as a representation that the New Taiwan 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.

#### Reclassifications

Certain accounts in the consolidated financial statements as of and for the three months ended March 31, 2010 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the three months ended March 31, 2011.

### 3. ACCOUNTING CHANGE

#### Recognition and Measurement of Financial Instruments

From January 1, 2011, the Company adopted the newly revised SFAS No. 34. The main revisions require that loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have a material impact on the Company's consolidated financial statements as of and for the three months ended March 31, 2011.

#### Operating Segments

From January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments" ("SFAS No. 41"). The statement requires that segment information be disclosed based on the information regarding the components of the Company that management uses to make decisions regarding operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting". The Company conformed to the disclosure requirements as of and for the period ended March 31, 2011. The information for the period ended March 31, 2010 has been recast to reflect the new segment reporting requirement.

### 4. CASH AND CASH EQUIVALENTS

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Cash on hand	7,766	9,012	306
Checking and saving accounts	28,055,885	19,238,762	654,380
Time deposits	6,937,098	7,710,996	262,279
	1,504,271	-	-



Repurchase agreements collateralized by government  
bonds

36,505,020	26,958,770	916,965
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## 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Financial assets for trading - current			
Structured deposit	-	539,191	18,340
Financial notes	318,508	290,061	9,866
Open-end mutual funds	975,196	169,733	5,773
Swap contracts	6,917	49,385	1,680
Quoted stocks	89,184	80,205	2,728
Forward exchange contracts	29,829	21,709	738
European foreign currency option contracts	18,819	-	-
	1,438,453	1,150,284	39,125
Financial liabilities for trading - current			
Swap contracts	18,898	175,361	5,964
Cross currency swap contracts	-	72,112	2,453
Forward exchange contracts	10,393	11,612	395
European foreign currency option contracts	879	-	-
	30,170	259,085	8,812

The Company entered into derivative contracts to manage exposures to foreign exchange and interest rate risks. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting except those described in Note 22h.

Information on such derivative transactions was as follows:

## a. Swap contracts

The outstanding swap contracts of the Company as of March 31, 2010 and 2011 were as follows:

Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2010		
NT\$/US\$	2010.04.02-2010.04.19	NT\$7,139,708/US\$224,000
US\$/NT\$	2010.04.07-2010.09.08	US\$118,600/NT\$3,774,000
March 31, 2011		
NT\$/US\$	2011.04.07-2012.04.02	NT\$13,143,521/US\$443,331
US\$/NT\$	2011.04.07-2011.05.24	US\$168,832/NT\$4,993,134
US\$/JPY	2011.12.13-2011.12.27	US\$49,264/JPY4,100,000

b. Forward exchange contracts

The outstanding forward exchange contracts of the Company as of March 31, 2010 and 2011 were as follows:

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Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2010		
US\$/NT\$	2010.04.12-2010.05.28	US\$119,000/NT\$3,788,322
NT\$/US\$	2010.04.12-2010.05.28	NT\$3,899,327/US\$123,000
US\$/MYR	2010.04.28-2010.07.28	US\$12,500/MYR42,382
US\$/CNY	2010.04.20-2010.09.03	US\$160,000/CNY1,090,872
US\$/SGD	2010.04.15-2010.07.15	US\$3,000/SGD4,216
March 31, 2011		
US\$/NT\$	2011.04.07-2011.04.13	US\$9,000/NT\$261,885
NT\$/US\$	2011.04.07-2011.05.31	NT\$2,304,400/US\$79,000
US\$/MYR	2011.04.27-2011.05.26	US\$8,000/MYR24,407
US\$/KRW	2011.04.18-2011.04.27	US\$9,000/KRW10,162,600
US\$/SGD	2011.04.08-2011.05.06	US\$4,500/SGD5,728
US\$/JPY	2011.04.07-2011.04.08	US\$10,500/JPY858,313
EUR/US\$	2011.04.21-2011.06.24	EUR3,150/US\$4,386

c. Cross currency swap contracts

As of March 31, 2011, the notional amount of the outstanding contract of ASE Inc. was NT\$953,940 thousand/US\$30,000 thousand. Interest receipts are based on stated interest rates. The contract will mature in September 2011.

d. European foreign currency option contracts – as of March 31, 2010

The outstanding European foreign currency option contracts of the Company were as follows:

Contract	Maturity Date	Contract Amount (In Thousands)	Strike Price
Sell US\$ Put/CNY Call	2010.04.22-2010.09.03	US\$60,000/CNY403,520	6.6875-6.7550
Sell US\$ Put/CNY Call	2010.04.21-2010.09.03	US\$100,000/CNY671,499	6.6894-6.7363
Buy US\$ Call/CNY Put	2010.04.22-2010.09.03	US\$60,000/CNY403,520	6.6875-6.7550 (Note)
Buy US\$ Call/CNY Put	2010.04.21-2010.09.03	US\$100,000/CNY671,499	6.6894-6.7363 (Note)

Note: If the spot rate for CNY against US\$ at the expiry date exceeds the specific exchange rate, there will be no settlement obligation between both parties.

For the three months ended March 31, 2010 and 2011, the net gain on valuation of financial assets held for trading was NT\$147,146 thousand and NT\$114,946 thousand (US\$3,910 thousand), respectively. For the three months ended March 31, 2010 and 2011, the net amount on valuation of financial liabilities held for trading was net loss of

NT\$71,156 thousand and net gain of NT\$53,566 thousand (US\$1,822 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Private-placement shares	-	112,080	3,812
Open-end mutual funds	2,240,000	100,000	3,402
Quoted stocks	67,069	44,799	1,524
Corporate bonds	200,000	-	-
Adjustment of valuations	175,303	97,461	3,315
	2,682,372	354,340	12,053
Current portion	(2,470,518)	(129,223)	(4,396 )
Noncurrent portion	211,854	225,117	7,657

The shares of Advanced Microelectronic Products, Inc. held by the Company are private-placement shares, on which there is a legally enforceable restriction that prevents their trading for a specified period. As of March 31, 2010, the Company could not reliably measure fair value of the shares, so they were measured at cost. Subsequently, the Company could reliably measure the effects of restriction, which were consistent with those of other market participants, so the abovementioned shares previously classified as financial assets carried at cost were transferred to available-for-sale financial assets - noncurrent, resulting in an unrealized loss of NT\$33,971 thousand (US\$1,155 thousand) for the three months ended March 31, 2011.

## 7. ACCOUNTS RECEIVABLE, NET

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Accounts receivable	33,993,911	33,390,548	1,135,733
Allowance for doubtful accounts	(402,114 )	(158,327 )	(5,385 )
Allowance for sales returns and discounts	(195,704 )	(133,578 )	(4,544 )
	33,396,093	33,098,643	1,125,804

In June 2010, ASE Inc. entered into an accounts receivable factoring agreement without recourse with Citi Taiwan Limited. The revolving facility is US\$108,000 thousand. Total accounts receivable sold and derecognized were NT\$381,433 thousand (US\$12,974 thousand) and US\$38,204 thousand for the three months ended March 31, 2011. As of March 31, 2011, advances received were NT\$381,433 thousand (US\$12,974 thousand) and US\$38,204 thousand with an annual interest rate of 1.01% and 1.41%, respectively.

Pursuant to the factoring agreement, the losses from disputes (such as sales returns and discounts) shall be borne by the Company, while losses from credit risk shall be borne by the bank. As of March 31, 2011, the Company has issued a promissory note of US\$28,000 thousand as collateral.

## 8. INVENTORIES

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Finished goods	1,864,935	2,306,125	78,440
Work in process	2,418,394	2,313,569	78,693
Raw materials	6,824,627	8,073,343	274,603
Supplies	466,473	566,683	19,275
Materials and supplies in transit	724,269	330,556	11,243
	12,298,698	13,590,276	462,254

The cost of inventories sold recognized as cost of revenues for the three months ended March 31, 2010 and 2011 was NT\$29,931,507 thousand and NT\$37,322,214 thousand (US\$1,269,463 thousand), respectively, which included NT\$46,641 thousand and NT\$40,893 thousand (US\$1,391 thousand), respectively, due to write-downs of inventories.

## 9. INVENTORIES RELATED TO CONSTRUCTION BUSINESS

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Buildings and land held for sale	-	573,696	19,513
Construction in progress related to construction business	8,387,871	9,835,553	334,543
	8,387,871	10,409,249	354,056

A portion of the construction in progress related to the project in Shanghai Zhangjiang was completed and sold and the net income recognized for the three months ended March 31, 2011 was NT\$12,330 thousand (US\$419 thousand). The remaining projects are expected to be completed before the end of 2013. The capitalized interest expense for the three months ended March 31, 2010 and 2011 is presented in Note 13.

## 10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Limited partnership	418,432	434,267	14,771
Unquoted common shares	337,065	301,373	10,251
Unquoted preferred shares (Note 11)	167,436	122,290	4,159
Private-placement shares (Note 6)	112,080	-	-
	1,035,013	857,930	29,181

There is no quoted price from an active market for these investments and fair value is not readily available. Therefore these investments are carried at cost.

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## 11. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	2010		March 31		
	Amount	Interest rate %	Amount	2011	Interest rate %
	NT\$		NT\$	US\$ (Note 2)	
SiPhoton Inc.	95,457	3	88,254	3,002	3
Sequans Communication SA	37,645	2	-	-	-
	133,102		88,254	3,002	

The bond investment in SiPhoton Inc. was a 3-year unsecured convertible corporate bond due in September 2012 with a face value of US\$3,000 thousand and warrants. In addition, the bond investment in Sequans Communications SA as of March 31, 2010 was totally converted into preferred shares in July 2010 (Note 10).

## 12. EQUITY METHOD INVESTMENTS

	2010		March 31		
	Amount	% of Ownership	Amount	2011	% of Ownership
	NT\$		NT\$	US\$ (Note 2)	
Listed companies					
Hung Ching Development & Construction Co. ("HCDC")	942,463	26.2	1,210,104	41,160	26.2
Unlisted companies					
Hung Ching Kwan Co. ("HCKC")	326,787	27.3	332,374	11,305	27.3
StarChips Technology Inc. ("SCT")	80,488	33.3	57,381	1,952	33.3
CP Mingchuang Enterprise Development Fund (CP Mingchuang)	-	-	20,192	687	-
	1,349,738		1,620,051	55,104	
Deferred gain on transfer of land	(300,149 )		(300,149 )	(10,209 )	
Accumulated impairment - SCT	-		(41,739 )	(1,420 )	
	1,049,589		1,278,163	43,475	

Market values of the listed equity method investments as of March 31, 2010 and 2011 was NT\$1,245,631 thousand and NT\$1,197,500 thousand (US\$40,731 thousand), respectively.

Our subsidiary, Shanghai DH, invested CNY 4,500 thousand in CP Mingchuang which will engage in the development of real estate properties. Based on the limited partnership agreement, the percentage of partnership and income distribution of CP Mingchuang is 99.9% and 90%, respectively. Shanghai DH accounted the investment as an

equity method investment.

The Company recorded equity in earnings of equity method investments in proportion to the Company's percentage of ownership in the investee and were as follows:

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	Three months ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
HCDC	3,367	136,420	4,640
USI	27,986	-	-
Others	581	(4,293 )	(146 )
	31,934	132,127	4,494

As discussed in Note 2, USI has been included in the consolidated financial statements since February 2010, therefore USI was not treated as an equity method investment.

### 13. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
Buildings and improvements	15,490,934	17,343,263	589,907
Machinery and equipment	96,772,384	105,250,189	3,579,938
Transportation equipment	144,050	167,074	5,683
Furniture and fixtures	3,935,224	3,795,604	129,102
Leased assets and leasehold improvements	316,155	340,425	11,579
	116,658,747	126,896,555	4,316,209

Information about capitalized interest expense was as follows:

	Three Months Ended March 31		
	2010	2011	US\$ (Note 2)
	NT\$	NT\$	
Total interest expense including capitalized interest	416,063	399,074	13,574
Less: Capitalized interest			
Included in inventories related to construction business	(52,913 )	(29,019 )	(987 )
Included in property, plant and equipment	(17,688 )	(19,015 )	(647 )
Interest expense	345,462	351,040	11,940
Capitalization rate			
Inventories related to construction business	4.78%-5.31 %	4.78%-5.45 %	
Property, plant and equipment	0.86%-3.65 %	1.26%-3.34 %	



14.

## INTANGIBLE ASSETS

The movements of intangible assets other than deferred pension cost were as follows:

	Goodwill NT\$	Land Use Rights NT\$	Patents NT\$	Other Intangible Assets Acquired Special Technology NT\$	Customer Relationship and Other NT\$
Balance at January 1, 2010	9,419,005	1,385,144	101,716	484,544	783,839
Additions - From newly acquired subsidiaries	4,094,607	155,548	1,187	-	-
Amortization	-	(5,990 )	(7,127 )	(35,455 )	(20,810 )
Reclassified from assets leased to others	-	111,860	-	-	-
Translation adjustment	(14,457 )	(7,473 )	(590 )	-	-
Balance at March 31, 2010	13,499,155	1,639,089	95,186	449,089	763,029
Balance at January 1, 2011	10,408,023	2,173,907	721,909	342,726	1,549,226
Additions - purchase	-	7,554	-	-	-
Amortization	-	(9,106 )	(61,615 )	(35,454 )	(77,668 )
Translation adjustment	15,639	34,184	743	-	-
Balance at March 31, 2011	10,423,662	2,206,539	661,037	307,272	1,471,558

				Other Intangible Assets	
	Goodwill	Land Use		Acquired	Customer
	US\$ (Note	Rights	Patents	Special	Relationship
	2)	US\$ (Note	US\$ (Note	Technology	and Other
	2)	2)	2)	US\$ (Note	US\$ (Note
	2)	2)	2)	2)	2)
Balance at January 1, 2011	354,014	73,942	24,555	11,657	52,695
Additions - purchase	-	257	-	-	-
Amortization	-	(310 )	(2,096 )	(1,206 )	(2,642 )
Translation adjustment	532	1,163	25	-	-
Balance at March 31, 2011	354,546	75,052	22,484	10,451	50,053

The intangible assets arising from newly acquired subsidiaries for the three months ended March 31, 2010 were mainly related to the USI Acquisition.

15.

## IDLE ASSETS

March 31  
2010 2011

	NT\$	NT\$	US\$ (Note 2)
Cost			
Land	182,068	232,681	7,914
Buildings and improvements	1,059,065	1,490,103	50,684
Machinery and equipment	835,490	400,804	13,633
Other	19,321	19,354	658
	2,095,944	2,142,942	72,889
Accumulated depreciation	(794,477 )	(708,865 )	(24,111 )
Accumulated impairment	(347,346 )	(224,131 )	(7,623 )
	954,121	1,209,946	41,155

Idle assets mainly included USI's Nankuan plant and ASE Electronics' Flip-chip production line.

# 16. SHORT-TERM BORROWINGS

Short-term borrowings represented revolving bank loans with annual interest rates of 0.69%- 5.83% and 0.71%-6.89% as of March 31, 2010 and 2011, respectively.

# 17. ACCRUED EXPENSES

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Accrued employee bonus and compensation to directors and supervisors	1,453,715	2,763,759	94,006
Accrued salaries and bonus	1,735,978	2,395,431	81,477
Accrued maintenance expenses	352,015	344,665	11,723
Accrued utilities expenses	249,128	257,322	8,753
Accrued employee insurance expenses	184,962	214,798	7,306
Accrued professional service fees	140,548	163,646	5,566
Others	1,850,883	1,894,710	64,446
	5,967,229	8,034,331	273,277

# 18. LONG-TERM BANK LOANS

Long-term bank loans consisted of the following:

	2010	March 31 2011	US\$ (Note 2)
	NT\$	NT\$	
Loans for specific purposes	21,616,210	16,044,461	545,730
Working capital bank loans	35,988,843	33,241,819	1,130,674
	57,605,053	49,286,280	1,676,404
Current portion	(1,428,827 )	(5,319,701 )	(180,942 )
	56,176,226	43,966,579	1,495,462
Unamortized arrangement fee	(110,579 )	(118,446 )	(4,029 )
	56,065,647	43,848,133	1,491,433

a.	Loans for specific purposes		
	March 31		US\$ (Note 2)
	2010	2011	
	NT\$	NT\$	
Syndicated bank loan (Led by Citi bank)			
Repayable through March 2013 in semi-annual installments - annual interest rate was 2.02% and 2.00% as of March 31, 2010 and 2011, respectively	15,225,000	10,150,000	345,238
US\$200,000 thousand, repayable at maturity in May 2011 - annual interest rate was 1.10% and 1.00% as of March 31, 2010 and 2011, respectively	6,363,800	5,883,600	200,123
Others - annual interest rate was 1.45% and 1.62% as of March 31, 2010 and 2011, respectively	27,410	10,861	369
	21,616,210	16,044,461	545,730

Pursuant to the above loan agreements, ASE Inc. should hold no less than 51%, directly or indirectly, of ASE Test's equity and maintain control over ASE Test at all time.

b.	Working capital bank loans		
	March 31		US\$ (Note 2)
	2010	2011	
	NT\$	NT\$	
Syndicated bank loans - due from June 2011 to June 2015 - annual interest rate was 1.13%-2.09% and 0.96%-1.61% as of March 31, 2010 and 2011, respectively			
ASE Inc.	11,700,000	23,027,515	783,249
ASESH AT	4,677,393	3,459,557	117,672
Others - due from April 2011 to September 2014 - annual interest rate was 0.78%-2.73% and 0.71%-4.80% as of March 31, 2010 and 2011, respectively			
ASE Inc.	17,014,625	2,441,588	83,047
USI	-	1,898,275	64,567
ASE Shanghai	1,909,140	1,765,080	60,037
Others	687,685	649,804	22,102
	35,988,843	33,241,819	1,130,674

Pursuant to the above loan agreements, the Company should maintain certain financial ratios. Such financial ratios are calculated based on annual audited consolidated financial statements or semi-annual reviewed consolidated financial statements.



As of March 31, 2010 and 2011, loans of NT\$7,625,000 thousand and NT\$12,636,747 thousand (US\$429,821 thousand), respectively, would mature within one year. However, the Company had obtained new long term credit lines to refinance the loans on a long-term basis before March 31, 2010 and 2011, therefore such loans were not classified as current portion of long-term bank loans.

19.

## SHAREHOLDERS' EQUITY

### Common Stock

The Company reserved common stock of NT\$8,000,000 thousand, representing 800,000 thousand shares, for employee stock option plans. For the three months ended March 31, 2010 and 2011, employees exercised options and paid NT\$96,246 thousand (6,699 thousand shares) and NT\$430,229 thousand (US\$14,634 thousand) (20,361 thousand shares), of which NT\$102,648 thousand (7,070 thousand shares) and NT\$447,236 thousand (US\$15,212 thousand) (21,132 thousand shares) were recorded as "capital received in advance" as of March 31, 2010 and 2011, respectively. Employees exercised options and paid NT\$403,158 thousand for 21,864 thousand shares from April 1, 2010 to December 31, 2010.

In addition, the shareholders' meetings held in June 2010 resolved to distribute stock dividends out of capital surplus and retained earnings in the amount of NT\$5,494,970 thousand (549,497 thousand shares). The Company made a capital reduction in the amount of NT\$370,000 thousand (US\$12,585 thousand) for 37,000 thousand shares through the retirement of treasury stock in January 2011. The Company has completed the registration formalities for all the above-mentioned increases and reductions of capital.

### American Depositary Shares

ASE Inc. issued ADS and each ADS represents five common shares. As of March 31, 2010 and 2011, 48,727 thousand and 71,944 thousand ADS were outstanding and represented approximately 243,634 thousand and 359,720 thousand common shares of ASE Inc., respectively.

### Capital Surplus

Under the ROC Company Law, capital surplus from paid-in capital in excess of par value, treasury stock transactions and reversed interest of convertible bonds may be transferred to capital, subject to a limit equal to a specific percentage of paid-in capital.

Capital surplus from equity method investments may not be used for any purpose.

### Appropriation of Retained Earnings

The Articles of Incorporation of ASE Inc. provide that the annual net income shall be distributed in the following order:

- a. Replenishment of losses;
- b. 10.0% as legal reserve;
- c. Special reserve in accordance with laws or regulations set forth by the authorities concerned;
- d. An amount equal to the excess of the income from equity method investments over cash dividends as special reserve;
- e. Not more than 2.0% of the remainder from a. to d. as compensation to directors and supervisors;
- f.

Between 7.0% to 10.0% of the remainder from a. to d. as a bonus to employees, of which 7.0% shall be distributed in accordance with the employee bonus plan and the excess shall be distributed to specific employees as decided by the board of directors; and

g. The remainder from a. to f. as dividends to shareholders.

Employees referred to in f. above include employees of subsidiary companies that meet certain conditions, which are to be prescribed by the board of directors.

The Company is currently in the business stability stage. To meet the capital needs for business development now and in the future and satisfy the requirements of shareholders for cash inflow, the Company shall use residual dividend policy to distribute dividends, of which the cash dividend distribution rate is not lower than 30% of the total dividend amount, with the remainder to be distributed as stock dividends. A distribution plan is also to be made by the board of directors and passed by resolution of the shareholders' meeting.

For the three months ended March 31, 2010 and 2011, the bonus to employees of ASE Inc. was NT\$305,391 thousand and NT\$365,116 thousand (US\$12,419 thousand), respectively, and the compensation to directors and supervisors of ASE Inc. was NT\$61,078 thousand and NT\$73,023 thousand (US\$2,484 thousand), respectively. The bonus to employees and compensation to directors and supervisors represented 10% and 2%, respectively, of net income (net of the bonus and compensation). Significant differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized loss on financial instruments, net loss not recognized as pension cost and cumulative transaction adjustments) shall be transferred from unappropriated earnings to a special reserve. In addition, the excess of book value over market value of treasury shares held by subsidiaries shall also be transferred from unappropriated earnings to a special reserve based on the proportion owned by ASE Inc. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the ROC Company Law, the appropriation for legal reserve shall be made until the reserve reaches the paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of paid-in capital. Also, when the reserve has reached 50% of paid-in capital, up to 50% thereof may be transferred to capital stock if the Company doesn't have a deficit.

The appropriation of 2009 earnings resolved at the Company's annual shareholders' meetings in June 2010 and the appropriation of 2010 earnings proposed by the Company's directors in March 2011 and to be resolved by the Company's annual shareholders' meeting is as follows:

	2009	2010	US\$ (Note 2)
	NT\$	NT\$	
Legal reserve	674,455	1,833,750	62,372
Special reserve	-	1,272,417	43,279
Stock dividends - NT\$0.84 and NT\$1.15 in 2009 and 2010, respectively	4,615,775	6,957,357	236,645
Cash dividends - NT\$0.36 and NT\$0.65 in 2009 and 2010, respectively	1,978,190	3,932,419	133,756

7,268,420	13,995,943	476,052
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Aside from the 2009 earnings appropriations listed above, the shareholders also resolved to distribute the bonus to employees and compensation to directors and supervisors in cash. Aside from the 2010 earnings

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appropriation listed above, the directors also proposed to distribute the bonus to employees and compensation to directors and supervisors in cash. The information was as follows:

	2009	2010	US\$ (Note 2)
	NT\$	NT\$	
Bonus to employees	607,009	1,523,133	51,807
Compensation to directors and supervisors	120,000	304,200	10,347

The differences between the approved amounts of the bonus to employees and compensation to directors and supervisors and the accrual amounts reflected in the consolidated financial statements for both years were primarily due to changes in estimates. The differences of NT\$1,402 thousand and NT\$427 thousand (US\$15 thousand) had been adjusted in earnings for the three months ended March 31, 2010 and 2011, respectively.

Information regarding the appropriations of earnings, bonus to employees and compensation to directors and supervisors is available on the Market Observation Post System website of the TSE.

#### Unrealized Gain (Loss) on Financial Instruments

Movements of the unrealized gain (loss) on financial instruments for the three months ended March 31, 2010 and 2011 were as follows:

	Available- for-sale Financial Assets NT\$	Equity Method Investments NT\$	Cash Flow Hedges (Note 22) NT\$	Total NT\$
Balance at January 1, 2010	-	332,721	(307,223)	25,498
Recognized directly in shareholders' equity	69	(11,920 )	6,200	(5,651 )
Removed from shareholders' equity and recognized in earnings	(69 )	-	75,588	75,519
Balance at March 31, 2010	-	320,801	(225,435)	95,366
Balance at January 1, 2011	(9,290 )	457,465	(201,872)	246,303
Recognized directly in shareholders' equity	(33,971 )	(88,072 )	31,374	(90,669 )
Removed from shareholders' equity and recognized in earnings	-	-	53,182	53,182
Balance at March 31, 2011	(43,261 )	369,393	(117,316)	208,816

	Available- for-sale Financial Assets US\$ (Note 2)	Equity Method Investments US\$ (Note 2)	Cash Flow Hedges (Note 22) US\$ (Note 2)	Total US\$ (Note 2)
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Balance at January 1, 2011	(316 )	15,560	(6,866 )	8,378
Recognized directly in shareholders' equity	(1,156 )	(2,996 )	1,067	(3,085 )
Removed from shareholders' equity and recognized in earnings				