

ADVANCED SEMICONDUCTOR ENGINEERING INC
Form 20-F
June 19, 2006

As filed with the Securities and Exchange Commission on June 19, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-16125

(Exact name of Registrant as Specified in Its Charter)

Advanced Semiconductor Engineering, Inc.

(Translation of Registrant's Name into English)

REPUBLIC OF CHINA
(Jurisdiction of Incorporation or Organization)

**26 Chin Third Road
Nantze Export Processing Zone
Nantze, Kaohsiung, Taiwan
Republic of China**
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Title of Each Class _____ Name of Each Exchange on which Registered _____

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Common Shares, par value NT\$10.00 each

The New York Stock Exchange*

*Traded in the form of American Depositary Receipts evidencing American
Depositary Shares, each representing five Common Shares
(Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

4,557,372,300 Common Shares, par value NT\$10 each

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated
filer

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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USE OF CERTAIN TERMS

All references herein to (i) the "Company", "ASE Group", "ASE Inc.", "we", "us", or "our" are to Advanced Semiconductor Engineering, Inc. and, unless the context requires otherwise, its subsidiaries, (ii) "ASE Test" are to ASE Test Limited and its subsidiaries, (iii) "ASE Test Taiwan" are to ASE Test, Inc., a company incorporated under the laws of the ROC, (iv) "ASE Test Malaysia" are to ASE Electronics (M) Sdn. Bhd., a company incorporated under the laws of Malaysia, (v) "ISE Labs" are to ISE Labs, Inc., a corporation incorporated under the laws of the State of California, (vi) "ASE Philippines" are to ASE Holdings Electronics (Philippines) Inc., a company previously incorporated under the laws of the Philippines, (vii) "Universal Scientific" are to Universal Scientific Industrial Co., Ltd., a company incorporated under the laws of the ROC, (viii) "ASE Material" are to ASE Material Inc., a company previously incorporated under the laws of the ROC that merged into ASE Inc. on August 1, 2004, (ix) "ASE Korea" are to ASE (Korea) Inc., a company incorporated under the laws of the Republic of Korea, (x) "ASE Chung Li" are to ASE (Chung Li) Inc., a company previously incorporated under the laws of the ROC that merged into ASE Inc. on August 1, 2004, (xi) "ASE Shanghai" are to ASE (Shanghai) Inc., a company incorporated under the laws of the PRC, (xii) "Hung Ching" are to Hung Ching Development & Construction Co. Ltd., a company incorporated under the laws of the ROC, (xiii) the "Securities Act" are to the U.S. Securities Act of 1933, as amended, and (xiv) the "Exchange Act" are to the U.S. Securities Exchange Act of 1934, as amended.

All references to the "Republic of China", the "ROC" and "Taiwan" are to the Republic of China, including Taiwan and certain other possessions. All references to "Korea" or "South Korea" are to the Republic of Korea. All references to the "PRC" are to the People's Republic of China and exclude Taiwan, Macau and Hong Kong.

We publish our financial statements in New Taiwan dollars, the lawful currency of the ROC. In this annual report, references to "United States dollars", "U.S. dollars" and "US\$" are to the currency of the United States; references to "New Taiwan dollars", "NT dollars" and "NT\$" are to the currency of the ROC; references to "RMB" are to the currency of the PRC; references to "JP¥" are to the currency of Japan; references to "EUR" are to the currency of the European Union; and references to "KRW" are to the currency of the Republic of Korea. Unless otherwise noted, all translations from NT dollars to U.S. dollars were made at the noon buying rate in The City of New York for cable transfers in NT dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York as of December 30, 2005, which was NT\$32.80=US\$ 1.00. All amounts translated into U.S. dollars in this annual report are provided solely for your convenience and no representation is made that the NT dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. On May 31, 2006, the noon buying rate was NT\$31.99=US\$1.00.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements regarding our future results of operations and business prospects. Although these forward-looking statements, which may include statements regarding our future results of operations, financial condition or business prospects, are based on our own information and information from other sources we believe to be reliable, you should not place undue reliance on these forward-looking statements, which apply only as of the date of this annual report. We were not involved in the preparation of these projections. The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions, as they relate to us, are intended to identify these forward-looking statements in this annual report. Our actual results of operations, financial condition or business prospects may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including risks associated with cyclicity and market conditions in the semiconductor industry; demand for the outsourced semiconductor packaging and testing services we offer and for such outsourced services generally; the highly competitive semiconductor industry; our ability to introduce new packaging, interconnect materials and testing technologies in order to remain competitive; our ability to successfully integrate pending and future mergers and acquisitions; international business activities; our business strategy; our future expansion plans and capital expenditures; the strained relationship between the ROC and the PRC; general economic and political conditions; possible disruptions in commercial activities caused by natural or human-induced disasters;

fluctuations in foreign currency exchange rates; and other factors. For a discussion of these risks and other factors, see [Item 3. Key Information]Risk Factors[.

PART I**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**SELECTED FINANCIAL DATA**

The selected consolidated income statement data and cash flow data for the years ended December 31, 2003, 2004 and 2005, and the selected consolidated balance sheet data as of December 31, 2004 and 2005, set forth below are derived from our audited consolidated financial statements included in this annual report and should be read in conjunction with, and are qualified in their entirety by reference to, these consolidated financial statements. The selected consolidated income statement data and cash flow data for the years ended December 31, 2001 and 2002 and the selected consolidated balance sheet data as of December 31, 2001, 2002 and 2003 set forth below are derived from our audited consolidated financial statements not included in this annual report. Our consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in the ROC, or ROC GAAP, which differ in some material respects from generally accepted accounting principles in the United States, or U.S. GAAP. See note 30 to our consolidated financial statements for a description of the significant differences between ROC GAAP and U.S. GAAP for the periods covered by these consolidated financial statements. In October 2005, ASE Test disposed of its camera module assembly operations in Malaysia. See Item 5. Information in this annual report from our consolidated statements of income for the years ended December 31, 2003, 2004 and 2005 has been adjusted to reflect the reclassification of ASE Test's camera module assembly operations as discontinued operations. Information from our consolidated statements of cash flows has not been adjusted. Because ASE Test commenced its camera module assembly operations in 2003, no reclassification for periods prior to 2003 is required. See Item 5. Operating and Financial Review and Prospects Operating Results and Trend Information Discontinued Operations.

As of and for the Year Ended December 31,

	2001	2002	2003	2004	2005	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
	(in millions, except earnings per share and per ADS data)					
ROC GAAP:						
Income Statement Data:						
Net revenues	38,367.8	45,586.8	55,728.4	75,237.7	84,035.8	2,562.1
Cost of revenues	(32,957.0)	(38,492.2)	(45,118.0)	(59,641.1)	(69,518.0)	(2,119.5)
Gross profit	5,410.8	7,094.6	10,610.4	15,596.6	14,517.8	442.6
Total operating expenses	(5,872.9)	(6,554.2)	(7,537.2)	(8,639.8)	(8,698.6)	(265.2)
Operating expenses:						
Selling	(877.9)	(909.4)	(1,204.9)	(1,341.1)	(1,100.0)	(33.5)
General and administrative	(2,797.6)	(2,780.2)	(3,170.1)	(3,840.0)	(4,284.3)	(130.7)
Goodwill amortization	(692.9)	(815.6)	(819.3)	(877.6)	(528.9)	(16.1)
Research and development	(1,504.5)	(2,049.0)	(2,342.9)	(2,581.1)	(2,785.4)	(84.9)
Income (loss) from operations	(462.1)	540.4	3,073.2	6,956.8	5,819.2	177.4

Non-operating income

(expense):

Equity in earnings (losses) of equity						
method investees net	(868.8)	(162.4)	(20.1)	(174.4)	180.8	5.5
Goodwill amortization	(378.0)	(247.9)	(220.6)	(220.6)	(106.5)	(3.2)
Gain on sale of investment net	50.7	101.3	618.9	57.1	71.7	2.2
Foreign exchange gain (loss) net	247.5	(397.9)	(386.8)	(148.1)	175.2	5.3
Realized loss on long-term investments	□	□	(354.8)	□	□	□
Interest income (expense) net	(1,739.3)	(1,578.6)	(1,304.4)	(894.4)	(1,397.7)	(42.6)
Impairment of long-lived assets	□	(1,225.6)	□	□	□	□
Impairment of goodwill	□	□	□	(1,950.1)	□	□

As of and for the Year Ended December 31,

	2001	2002	2003	2004	2005	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
(in millions, except earnings per share and per ADS data)						
Loss on fire damage	□	□	□	□	(8,838.1)	(269.5)
Other investment loss(1)	□	□	□	(512.0)	□	□
Others□net	164.5	261.0	(115.0)	(151.4)	(1,578.4)	(48.1)
Income (loss) before income tax	(2,985.5)	(2,709.7)	1,290.4	2,962.9	(5,673.8)	(173.0)
Income tax benefit	199.2	1,140.3	1,278.7	1,397.0	118.6	3.6
Income (loss) from continuing operations	(2,786.3)	(1,569.4)	2,569.1	4,359.9	(5,555.2)	(169.4)
Discontinued operations(2)	□	□	196.8	568.2	353.7	10.8
Extraordinary loss, net of income tax benefit	(144.6)	(34.6)	(75.7)	□	□	□
Cumulative effect of change in accounting principle(3)	□	□	□	(26.8)	□	□
Minority interest in net loss (income) of subsidiaries	788.7	1,733.0	52.6	(691.6)	510.3	15.6
Net income (loss) attributable to shareholders of parent company	(2,142.2)	129.0	2,742.8	4,209.7	(4,691.2)	(143.0)
Income (loss) from continuing operations per common share	(0.48)	0.04	0.64	0.87	(1.15)	(0.03)
Earnings per common share(4):						
Basic	(0.51)	0.03	0.67	0.99	(1.07)	(0.03)
Diluted	(0.51)	0.03	0.66	0.96	(1.07)	(0.03)
Dividends per common share(5)	1.70	□	1.00	0.57	1.00	0.03
Earnings per equivalent ADS(4):						
Basic	(2.55)	0.16	3.33	4.94	(5.37)	(0.16)
Diluted	(2.55)	0.16	3.30	4.81	(5.37)	(0.16)
Number of common shares(6):						
Basic	4,204.5	3,992.5	4,115.7	4,264.8	4,370.5	4,370.5
Diluted	4,204.5	3,992.5	4,153.7	4,545.9	4,370.5	4,370.5
Number of equivalent ADSs:						
Basic	840.9	798.5	823.1	853.0	874.1	874.1
Diluted	840.9	798.5	830.7	909.2	874.1	874.1

Balance Sheet Data:

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Current assets:						
Cash and cash equivalents	11,770.7	9,829.5	8,562.4	5,975.1	13,263.8	404.4
Short-term investments	4,601.2	2,590.4	3,017.8	3,194.2	4,352.9	132.7
Notes and accounts receivable net	7,126.1	8,998.5	12,909.7	13,676.2	15,585.6	475.2
Inventories	2,768.4	3,131.7	4,691.8	9,437.3	7,757.1	236.5
Others	3,383.2	2,481.7	2,276.2	3,612.1	6,713.8	204.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	29,649.6	27,031.8	31,457.9	35,894.9	47,673.2	1,453.5
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Long-term investments	9,530.4	6,566.7	6,342.8	4,907.4	4,898.1	149.3
Property, plant and equipment	60,555.1	63,088.9	67,339.9	82,339.9	68,040.8	2,074.4
Intangible assets	5,248.9	5,541.8	4,596.2	3,959.8	3,589.1	109.4
Other assets	1,342.3	2,675.8	4,587.4	6,848.9	7,053.5	215.1
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Total assets	106,326.3	104,905.0	114,324.2	133,950.9	131,254.7	4,001.7
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Short-term borrowings(7)	13,983.1	13,453.8	14,090.2	6,852.8	10,523.1	320.8
Long-term debts(8)	30,674.3	30,553.7	30,840.1	46,529.6		