



ASE GROUP
A SUCCESS ENABLER

ASE news

Group Affiliates ASE (Chung-Li) Inc. and ASE Material Inc. to Merge with ASE Inc.

Taipei, Taiwan, 28 October 2003 - Advanced Semiconductor Engineering Inc. (TSE: 2311, NYSE: ASX) today announced that two of its subsidiaries, ASE (Chung-Li) Inc. and ASE Material Inc., will merge with the parent company. The boards of directors of the three companies today adopted at their respective board meetings resolutions approving the merger. ASE will acquire 100% of ASE (Chung-Li) and ASE Material through share swaps. The exchange ratio for ASE (Chung-Li) is 1:0.85 (one share of ASE (Chung-Li) for 0.85 share of ASE) and the exchange ratio for ASE Material will be 1:0.5 (one share of ASE Material for 0.5 share of ASE). In total, ASE expects to issue 282,315,437 new shares, which represent 7.89% of its current shares outstanding. Post merger, ASE's paid in capital will be NT\$38,626,000,000.

ASE (Chung-Li) was established in April 1999 to acquire Motorola's packaging and testing facilities in Chung Li, Taiwan. ASE (including holding company J&R Holding Limited) currently holds 72.4% in ASE (Chung-Li). The remaining 27.6% (175.5 million shares) is held by subsidiary ASE Test Limited (NASDAQ: ASTSF). ASE Material, whose major business is the design and manufacturing of packaging materials, was established in December 1997. ASE Material's major products include lead frames, PBGA substrates, and flip chip substrates. ASE currently holds 57.4% of ASE Material. Other shareholders of ASE Material include other affiliates in the ASE Group, employees of ASE Material, and strategic investors.

ASE (Chung-Li) specializes in packaging and testing communication ICs. This specialty complements ASE's strong capabilities in the assembly and test of computing and consumer electronic ICs. Additionally, the physical proximity of ASE (Chung-Li) to customers in the Hsinchu science park allows the ASE Group to provide better and more efficient services to these customers.

As substrate design and manufacturing will be critical to the success of packaging vendors in the future, ASE, by combining the packaging materials business of ASE Material to its packaging business, will be able to leverage its integrated capabilities to provide better services to its customers. In addition, it will also benefit from the parent company's financial support, which will facilitate future capacity and business expansions. ASE Material's substrate revenues in the third quarter of this year totaled NT\$1.2 billion, more than double the revenues of the same

period in 2002. ASE will continue to invest in substrate design and manufacturing in order to adapt to industry changes brought by the evolution of technology.

The purpose for merging the two subsidiaries located in Taiwan is to further consolidate the resources within the ASE Group to achieve a flatter organizational structure, in order to achieve greater economies of scale, efficiency, and financial transparency for investors. The entire workforce in both ASE (Chung-Li) and ASE Material will be retained.

The completion of the merger is subject to approval of the shareholders of the companies and is expected to take effect on July 1, 2004.