
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, 2000
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(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
(8867) 361-7131**

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**American Depositary Shares, each representing
5 Common Shares of NT\$10 par value**

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

(As of the close of the period covered by the annual report)

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

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: **2,752,000,000 Common Shares**

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 which financial statement item the Registrant has elected to follow.

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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 in 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 in the State of California, (vi) “ASE Philippines” are to ASE Holdings Electronics (Philippines) Inc., a company incorporated in the Philippines, (vii) “Universal Scientific” are to Universal Scientific Industrial Co., Ltd., a company incorporated in the ROC, (viii) “ASE Material” are to ASE Material Inc., a company incorporated in the ROC, (ix) “ASE Korea” are to ASE (Korea) Inc., a company incorporated under the laws of the Republic of Korea and (x) “ASE Chung Li” are to ASE (Chung Li) Inc., a company incorporated in the ROC.

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” are to the Republic of Korea.

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 United States Dollars and references to “New Taiwan Dollars”, “NT Dollars” and “NT\$” are to New Taiwan Dollars. 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 (the “Noon Buying Rate”) as of December 29, 2000, which was NT\$33.17=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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including statements regarding our future revenues, earnings, and other results of operations. Our actual results may differ materially from the results discussed 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 assembly and testing services we offer and for such outsourced services generally, our ability to maintain a high capacity utilization rate relative to our fixed costs, competition in our industry, and other reasons. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this annual report. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements as a result of the reasons noted above and other risks and factors which could depress the market price of our shares.

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 following selected historical consolidated financial data have been derived from the Consolidated Financial Statements. Our statements of income for the years ended December 31, 1998, 1999 and 2000 and our balance sheets as of December 31, 1999 and 2000 have been audited. The Consolidated Financial Statements, and the report of T.N. Soong & Co. on those financial statements, are included in this annual report. The selected consolidated financial information for those periods and as of those dates are qualified by reference to those financial statements and that report, and should be read in conjunction with them and with "Item 5. Operating and Financial Review and Prospects". The selected consolidated statement of income data for the years ended December 31, 1996 and 1997 and selected consolidated balance sheet data as of December 31, 1996, 1997 and 1998 set forth below are derived from our audited consolidated financial statements not included in this annual report. These financial statements have been audited by T.N. Soong & Co. The Consolidated Financial Statements are prepared and presented in accordance with generally accepted accounting principles in the ROC, or ROC GAAP, which differ in material respects from generally accepted accounting principles in the United States, or U.S. GAAP. Notes 27 and 28 of Notes to Consolidated Financial Statements contain additional disclosures required under U.S. GAAP and provide descriptions of the significant differences between ROC GAAP and U.S. GAAP and reconciliations of net income and shareholders' equity to U.S. GAAP as of and for the years ended December 31, 1999 and 2000.

	Year Ended and as of December 31,					US\$
	1996	1997	1998	1999	2000	
	NT\$	NT\$	NT\$	NT\$	NT\$	
(in millions, except share, per share, per ADS and dividend data)						
Income Statement Data:						
ROC GAAP:						
Net revenues	17,833.9	19,088.2	20,762.4	32,609.6	50,893.4	1,534.3
Cost of revenues	(13,956.7)	(13,758.5)	(15,468.1)	(23,959.6)	(35,567.3)	(1,072.3)
Gross profit	3,877.2	5,329.7	5,294.3	8,650.0	15,326.1	462.0
Operating expenses:						
Selling	(543.4)	(733.5)	(744.7)	(924.3)	(1,020.5)	(30.8)
General and administrative(1)	(529.3)	(648.7)	(909.4)	(1,655.0)	(2,606.2)	(78.6)
Goodwill amortization(2)	-	(53.2)	(345.7)	(507.8)	(559.8)	(16.8)
Research and development	(382.3)	(372.9)	(453.6)	(714.3)	(1,262.5)	(38.1)
Operating income	2,422.2	3,521.4	2,840.9	4,848.6	9,877.1	297.7
Net non-operating income (expense):						
Investment income (loss) on long-term investment(1)(3)	(108.1)	114.2	54.6	329.9	195.7	5.9
Goodwill amortization(4)	(145.3)	(155.1)	(155.1)	(279.3)	(363.0)	(10.9)
Gain on sale of investments	-	4,870.9	606.9	5,544.2	91.7	2.8
Foreign exchange gain (loss)	113.5	(133.8)	(935.5)	(538.4)	302.7	9.1
Interest income (expense)(5)	(241.4)	(85.9)	(380.4)	(1,046.6)	(1,538.0)	(46.4)
Others(6)	85.9	11.0	(50.1)	204.0	(162.6)	(4.9)
Income before tax	2,126.8	8,142.7	1,981.3	9,062.4	8,403.6	253.3
Income tax benefit (expense)	(61.2)	(374.9)	150.8	(459.5)	(1,065.8)	(32.1)
Income before minority interest	2,065.6	7,767.8	2,132.1	8,602.9	7,337.8	221.2
Income before acquisition	-	-	-	(65.1)	-	-
Minority interest in net income of subsidiary	(94.1)	(364.3)	(528.1)	(743.1)	(1,500.6)	(45.2)
Net income	1,971.5	\$7,403.5	\$1,604.0	\$7,794.7	5,837.2	176.0

Year Ended and as of December 31,

	1996	1997	1998	1999	2000		
	NT\$	(in millions, except share, per share, per ADS and dividend data)				NT\$	US\$
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
Earnings per common share:							
Primary	0.75	2.76	0.57	2.91	2.13	0.06	
Fully diluted	0.75	2.76	0.57	2.90	2.13	0.06	
Dividends per common share(7)	8.00	3.80	7.20	1.07	3.15	0.09	
Net income from operations per common share	0.91	1.33	1.07	1.83	3.69	0.11	
Income from continuing operations	2,126.8	8,142.7	1,981.3	9,062.4	8,403.6	253.3	
Income from continuing operations per common share	0.80	3.07	0.75	3.42	3.14	0.09	
Earnings per pro forma equivalent ADS:							
Primary	3.75	13.80	2.87	14.53	10.65	0.32	
Fully diluted	3.75	13.80	2.87	14.51	10.65	0.32	
Number of common shares(8)	2,651,524,485	2,651,524,485	2,651,524,485	2,651,524,485	2,677,602,508	2,677,602,508	
Number of pro forma equivalent ADSs ..	530,304,897	530,304,897	530,304,897	530,304,897	535,520,502	535,520,502	
U.S.GAAP:							
Net income			298.9	4,641.3	3,930.0	118.5	
Earnings per common share:							
Basic:			0.11	1.75	1.47	0.04	
Diluted			0.08	1.71	1.42	0.04	
Earnings per pro forma equivalent ADS:							
Basic			0.56	8.75	7.34	0.22	
Diluted			0.38	8.57	7.10	0.21	
Balance Sheet Data:							
ROC GAAP:							
Current assets:							
Cash and cash equivalents	1,431.2	10,869.8	8,173.9	11,809.1	14,166.5	427.1	
Short-term investments	1,187.7	4,008.0	647.2	216.3	1,682.7	50.7	
Notes and accounts receivable	3,458.0	4,094.3	3,636.7	7,463.4	9,260.6	279.2	
Inventories	1,838.7	2,059.0	1,744.8	2,449.7	3,246.3	97.9	
Other	346.0	705.5	771.9	1,411.8	2,431.6	73.3	
Total	8,261.6	21,736.6	14,974.5	23,350.3	30,787.7	928.2	
Long-term investments	4,113.7	5,501.7	7,317.0	9,674.4	10,712.2	322.9	
Properties	10,561.4	16,363.1	20,356.8	38,107.5	60,566.2	1,825.9	
Other assets	379.6	1,557.7	4,363.2	6,198.6	6,275.1	189.2	
Total assets	23,316.3	45,159.1	47,011.5	77,330.8	108,341.2	3,266.2	
Short-term bank borrowing/loans	3,506.1	5,946.0	6,810.2	9,868.2	13,768.0	415.0	
Long-term bank borrowing/loans	3,575.2	11,872.9	12,235.0	24,551.5	25,976.9	783.2	
Other liabilities and minority interest	3,076.4	6,306.5	6,091.5	12,854.1	24,927.1	751.5	
Total liabilities and minority interest	10,157.7	24,125.4	25,136.7	47,273.8	64,672.0	1,949.7	
Shareholders' equity	13,158.6	21,033.7	21,874.8	30,057.0	43,669.2	1,316.5	
U.S.GAAP:							
Shareholders' equity			17,675.2	26,569.7	40,729.1	1,227.9	
Segment Data:							
Net revenues:							
Packaging	11,936.9	15,334.3	16,867.4	24,523.0	38,028.8	1,146.5	
Testing	1,549.0	2,383.4	3,131.3	7,793.2	12,768.4	384.9	
Other	4,348.0	1,370.5	763.7	293.4	96.2	2.9	
Gross profit:							
Packaging	2,795.2	3,990.5	3,693.8	5,753.0	10,016.9	302.0	
Testing	669.0	1,148.7	1,484.6	3,105.2	5,294.4	159.6	
Other	413.0	190.5	115.9	(208.2)	14.8	0.4	
Other Data:							
Net cash outflow from acquisition of fixed assets	(3,528.7)	(8,030.1)	(6,945.0)	(9,869.2)	(30,063.6)	(906.3)	
Depreciation and amortization	1,731.5	2,301.6	3,237.2	5,554.4	8,593.8	259.1	

Net cash inflow (outflow) from operations	3,534.3	2,185.3	5,194.2	7,017.2	17,643.2	531.9
Net cash inflow (outflow) from sale of investments	-	5,495.0	290.5	7,889.3	-	-
Net cash inflow (outflow) from investing activities(9)	(5,551.2)	(5,067.7)	(8,558.3)	(11,782.7)	(33,550.4)	(1,011.5)
Net cash inflow (outflow) from financing activities	1,071.8	11,290.3	589.3	8,569.1	17,582.4	530.1

- (1) Excludes goodwill amortization.
(2) Included in general and administrative expenses in the Consolidated Financial Statements.
(3) Derived by netting "investment income under equity method — net" in non-operating income and "investment loss under equity method — net" in non-operating expense in the Consolidated Financial Statements.
(4) Included in investment loss in the Consolidated Financial Statements.
(5) Derived by netting interest income and interest expense in the Consolidated Financial Statements.
(6) Derived by netting the "others" entry in non-operating income and the "others" entry in non-operating expenses in the Consolidated Financial Statements.
(7) Dividends per common share issued as a stock dividend.
(8) Represents the weighted average number of shares after retroactive adjustments to give effect to stock dividends.
(9) Derived by aggregating proceeds from sales of shares of stock of ASE Inc. and ASE Test.

Exchange rates

Fluctuations in the exchange rate between NT Dollars and U.S. Dollars will affect the U.S. Dollar equivalent of the NT Dollar price of the common shares on the Taiwan Stock Exchange and, as a result, will likely affect the market price of the ADSs. Fluctuations will also affect the U.S. Dollar conversion by the depositary of cash dividends paid in NT Dollars on, and the NT Dollar proceeds received by the depositary from any sale of, common shares represented by ADSs, in each case, according to the terms of the deposit agreement.

The following table sets forth, for the fiscal years indicated, information concerning the number of NT Dollars for which one U.S. Dollar could be exchanged based on the noon buying rate for cable transfers in NT Dollars as certified for customs purposes by the Federal Reserve Bank of New York. The exchange rate was NT\$34.50 per U.S. Dollar as of June 27, 2001.

<u>Year Ended December 31,</u>	<u>Average Exchange Rate(1)</u>	
1996	27.48	
1997	29.06	
1998	33.50	
1999	32.28	
2000	31.37	
<u>Monthly</u>	<u>High</u>	<u>Low</u>
December 2000	33.18	33.02
January 2001	33.08	32.38
February 2001	32.39	32.27
March 2001	32.87	32.35
April 2001	32.99	32.79
May 2001	34.05	32.89
June 2001 (through June 27)	34.50	34.08

(1) Calculated by averaging the exchange rate on the last day of each month during the period.

Source: Federal Reserve Board database

CAPITALIZATION AND INDEBTEDNESS

Not applicable.

REASON FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

RISK FACTORS

Risks Relating to Our Business

Since we are dependent on the highly cyclical semiconductor industry and conditions in the markets for the end use applications of our products, our revenues and earnings may fluctuate significantly.

Our semiconductor packaging and testing business is affected by market conditions in the highly cyclical semiconductor industry. All of our customers operate in this industry, and variations in order levels from our customers and service fee rates may result in volatility in our revenues and earnings. From time to time, the semiconductor industry has experienced significant, and sometimes prolonged, downturns. Because our business is, and will continue to be, dependent on the requirements of semiconductor companies for independent packaging and testing services, any future downturn in the semiconductor industry would reduce demand for our services. For example, a worldwide slowdown in demand for semiconductor devices led to excess capacity and increased competition beginning in early 1998. As a result, price declines in 1998 accelerated more rapidly and adversely affected our operating results in 1998. Prices for packaging and testing services improved due to an upturn in the industry in the second half of 1999 continuing through the first half of 2000, but have fallen since an industry downturn commencing in the fourth quarter of 2000. This industry downturn places downward pressure on the average selling prices for our packaging and testing services. If we cannot reduce our costs to sufficiently offset any decline in average selling prices, our profitability will suffer.

Market conditions in the semiconductor industry depend to a large degree on conditions in the markets for the end use applications of semiconductor products, such as communication, consumer electronic and personal computer products. Any deterioration of conditions in the markets for the end use applications of the semiconductors we package and test would reduce demand for our services and, in turn, would likely have a material adverse effect on our financial condition and results of operations. In 2000, approximately 67% of our sales were attributable to the packaging and testing of semiconductors used in personal computer and communications applications. Both industries are subject to intense competition and significant shifts in demand which could put pricing pressure on the packaging and testing services provided by us and adversely affect our revenues and earnings.

A reversal or slowdown in the outsourcing trend for semiconductor packaging and testing services could adversely affect our growth prospects and profitability.

In recent years, semiconductor manufacturers that have their own in-house packaging and testing capabilities, known as integrated device manufacturers, have increasingly outsourced stages of the semiconductor production process, including packaging and testing, to independent companies to reduce costs and shorten production cycles. In addition, the availability of advanced independent semiconductor manufacturing services has also enabled the growth of so called “fables” semiconductor companies that focus exclusively on design and marketing, and that outsource their manufacturing, packaging and testing requirements to independent companies. We cannot assure you that these integrated device manufacturers and fabless semiconductor companies will continue to outsource their packaging and testing requirements to third parties like us. A reversal of, or a slowdown in, this outsourcing trend could result in reduced demand for our services and adversely affect our growth prospects and profitability.

If we are unable to compete favorably in the highly competitive semiconductor packaging and testing markets, our revenues and earnings may decrease.

The semiconductor packaging and testing markets are very competitive. We face competition from a number of sources, including other independent semiconductor packaging and testing companies, especially those which offer turnkey packaging and testing services. We believe that the principal competitive factors in the markets for our products and services are:

- technological expertise;
- ability to work closely with customers at the product development stage;
- production yield;

- responsiveness and flexibility;
- cycle time;
- capacity;
- production time;
- range and quality of packaging types and testing platforms available; and
- price.

We face increasing competition from other packaging and testing companies in Asia. In particular, most of our customers obtain packaging or testing services from more than one source. Furthermore, some of our competitors may have access to more advanced technologies and greater financial and other resources than we do. Many of our competitors have shown a willingness to quickly and sharply reduce prices, as they did in 1998 and the first half of 2001, in order to maintain capacity utilization in their facilities during periods of reduced demand. Although prices have stabilized, any renewed erosion in the prices for our packaging and testing services could cause our profits to decrease and have a material adverse effect on our financial condition and results of operations.

Our profitability depends on our ability to respond to rapid technological changes in the semiconductor industry.

The semiconductor industry is characterized by rapid increases in the diversity and complexity of semiconductors. As a result, we expect that we will need to constantly offer more sophisticated packaging and testing technologies and processes in order to respond to competitive industry conditions and customer requirements. If we fail to develop, or obtain access to, advances in packaging or testing technologies or processes, we may become less competitive and less profitable. In addition, advances in technology typically lead to declining average prices for semiconductors packaged or tested with older technologies or processes. As a result, if we cannot reduce the costs associated with our services, the profitability on a given service, and our overall profitability, may decrease over time.

Our operating results are subject to significant fluctuations, which could adversely affect the market value of your investment.

Our operating results have varied significantly from period to period and may continue to vary in the future. Downward fluctuations in our operating results may cause decreases in the market price of our ADSs and common shares. Among the more important factors affecting our quarterly and annual operating results are the following:

- our ability to quickly adjust to unanticipated declines or shortfalls in demand and market prices for our packaging and testing services, due to our high percentage of fixed costs;
- timing of capital expenditures in anticipation of future orders;
- changes in prices of our packaging and testing services;
- volume of orders relative to our packaging and testing capacity;
- our ability to obtain adequate packaging and testing equipment on a timely basis; and
- changes in costs and availability of raw materials, equipment and labor.

Due to the factors listed above, it is possible that our future operating results or growth rates may be below the expectations of research analysts and investors. If so, the market price of our ADSs and common shares, and thus the market value of your investment, may fall.

Due to our high percentage of fixed costs, we will be unable to maintain our profitability at past levels if we are unable to achieve relatively high capacity utilization rates.

Our operations, in particular our testing operations, are characterized by relatively high fixed costs. We expect to continue to incur substantial depreciation and other expenses in connection with the acquisition of new packaging and testing equipment and new facilities. Our profitability depends in part not only on absolute pricing levels for our services, but also on utilization rates for our packaging and testing equipment, commonly referred to as “capacity utilization rates”. In particular, increases or decreases in our capacity utilization rates can have a significant effect on gross margins since the unit cost of packaging and testing services generally decreases as fixed costs are allocated over a larger number of units. In periods of low demand, we experience relatively low capacity utilization rates in our operations due to relatively low growth in demand, which leads to reduced margins during that period. We cannot assure you that we will be able to maintain or surpass our past profitability levels if we cannot consistently achieve or maintain relatively high capacity utilization rates.

If we are unable to manage our expansion effectively, our growth prospects may be limited and our future profitability may be affected.

We have significantly expanded our packaging and testing operations in recent years, and expect to continue to expand our operations in the future. In particular, we intend to expand our operations geographically, attract new customers and broaden our product range to include products packaged and tested for a variety of end use applications. In the past, we have expanded through both internal growth and the acquisition of new operations. Rapid expansion puts strain on our managerial, technical, financial, operational and other resources. As a result of our expansion, we have implemented and will continue to need to implement additional operational and financial controls and hire and train additional personnel. Any failure to manage our growth effectively could lead to inefficiencies and redundancies and result in reduced growth prospects and profitability.

We need to successfully integrate and manage our acquisitions to maintain profitability.

We intend to grow in part through the acquisition of semiconductor packaging and testing operations that complement our existing business. This strategy will involve reviewing and potentially reorganizing acquired business operations, corporate structures and systems and financial controls. The success of our acquisition strategy may be limited because of unforeseen expenses, difficulties, complications and delays encountered in connection with these acquisitions. We may not be able to acquire or manage profitably additional businesses or to integrate successfully any acquired businesses into our existing business without substantial costs, delays or other operational or financial difficulties. In addition, we may be required to incur additional debt or issue additional equity to pay for future acquisitions.

In 1999, we acquired the packaging and testing operations of ISE Labs, ASE Chung Li and ASE Korea, as well as a controlling 22.6% interest in Universal Scientific, later increased to 23.3%. We continue to evaluate acquisition opportunities and plan to make additional acquisitions in the future if suitable opportunities arise. These acquisitions and other acquisitions we may make in the future may dilute our earnings per share as a result of the specific scope of the businesses or condition of the operations being acquired. In particular, acquisitions may involve risks, including:

- integration and management of the acquired operations;
- retention of select management personnel;
- integration of purchasing operations and information systems;
- coordination of sales and marketing efforts;
- cost of any pending or potential litigation against the acquired businesses prior to our acquisition;
- management of an increasingly larger and more geographically disparate business; and
- diversion of management’s attention from other ongoing business concerns.

If we are unable to successfully integrate and manage our acquisitions, our growth plans may not be met and our profitability may decline.

Because of the highly cyclical nature of our industry, our capital requirements are difficult to plan. If we cannot obtain additional capital when we need it, our growth prospects and future profitability may be adversely affected.

Our capital requirements are difficult to plan in our highly cyclical and rapidly changing industry. We will need capital to fund the expansion of our facilities as well as research and development activities in order to remain competitive. We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from our offering of ADSs in September 2000 ADS will be sufficient to meet our anticipated needs at least through the end of 2001, including for working capital and capital expenditure requirements. However, future acquisitions or market or other developments may cause us to require additional funds. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by semiconductor companies; and
- economic, political and other conditions in Taiwan and elsewhere.

If we are unable to obtain funding in a timely manner or on acceptable terms, our growth prospects and future profitability may decline.

We depend on select personnel and could be affected by the loss of their services.

We depend on the continued service of our executive officers and skilled technical and other personnel. Our business could suffer if we lose the services of any of these personnel and cannot adequately replace them. Although some of these management personnel have entered into employment agreements with us, they may nevertheless leave before the expiration of these agreements. We are not insured against the loss of any of our personnel. In particular, we will be required to increase substantially the number of these employees in connection with our expansion plans, and there is intense competition for their services in the semiconductor industry. We may not be able to either retain our present personnel or attract additional qualified personnel as and when needed. In addition, we may need to increase employee compensation levels in order to attract and retain our existing officers and employees and the additional personnel that we expect to require. A portion of the workforce at our facilities in Taiwan are foreign workers employed by us under work permits which are subject to government regulations on renewal and other terms. Consequently, our business could also suffer if the Taiwan regulations relating to the import of foreign workers were to become significantly more restrictive or if we are otherwise unable to attract or retain these workers at reasonable cost.

Criminal charges were brought in December 1998 by the district attorney for Taipei against Jason C.S. Chang, our Chairman, Richard H.P. Chang, our Vice Chairman and Chief Executive Officer, and Chang Yao Hung-ying, our director, and others. ASE Inc. is not a party to these proceedings and we do not expect that these charges will result in any liability to us. On January 5, 2001, the District Court of Taipei rendered a judgment finding Jason C.S. Chang and Chang Yao Hung-ying guilty and Richard H.P. Chang not guilty. In order to comply with the Singapore Companies Act, Jason C.S. Chang and Chang Yao Hung-ying have both resigned as directors of our subsidiary, ASE Test. Neither Jason C.S. Chang nor Chang Yao Hung-ying believes that he or she committed any offense in connection with such transactions, and they are appealing the decision to the High Court of Taiwan, the ROC. If the convictions are not overturned on appeal to the High Court or, if necessary, the Supreme Court of Taiwan the ROC, they will be required under ROC law to resign as directors and Jason C.S. Chang will be required to resign as Chairman of ASE Inc. See "Item 4. Information on the Company — Business Overview — Legal Proceedings".

If we are unable to obtain additional packaging and testing equipment or facilities in a timely manner and at a reasonable cost, our competitiveness and future profitability may be adversely affected.

The semiconductor packaging and testing business is capital intensive and requires significant investment in expensive equipment manufactured by a limited number of suppliers. The market for semiconductor packaging and

testing equipment is characterized, from time to time, by intense demand, limited supply and long delivery cycles. Our operations and expansion plans depend on our ability to obtain a significant amount of this equipment from a limited number of suppliers, including, in the case of testers, Agilent Technology, Advantest Corporation, Credence Systems Corporation, Electroglas, Inc., Megatest Corporation, Schlumberger Technologies and Teradyne, Inc., and, in the case of wire bonders, Kulicke & Soffa Industries Inc. We have no binding supply agreements with any of our suppliers and acquire our packaging and testing equipment on a purchase order basis, which exposes us to changing market conditions and other substantial risks. For example, shortages of capital equipment could result in an increase in the price of equipment and longer delivery times. Semiconductor packaging and testing also requires us to operate sizeable facilities. If we are unable to obtain equipment or facilities in a timely manner, we may be unable to fulfill our customers' orders, which could adversely affect our growth prospects as well as financial condition and results of operations.

Fluctuations in exchange rates could result in foreign exchange losses.

Currently, the majority of our revenues from packaging and testing services are denominated in U.S. Dollars and NT Dollars. Our costs of revenues and operating expenses associated with packaging and testing services, on the other hand, are incurred in several currencies, including NT Dollars, U.S. Dollars, Malaysian ringgit, Korean won, Philippine pesos, Singapore dollars and Hong Kong dollars. In addition, a substantial portion of our capital expenditures, primarily for the purchase of packaging and testing equipment, has been, and is expected to continue to be, denominated in U.S. Dollars with much of the remainder in Japanese yen. Fluctuations in exchange rates, primarily among the U.S. Dollar, the NT Dollar and the Japanese yen, will affect our costs and operating margins. In addition, these fluctuations could result in exchange losses and increased costs in NT Dollar and other local currency terms. Despite hedging and mitigating techniques implemented by us, fluctuations in exchange rates have affected, and may continue to affect, our financial condition and results of operations. For example, we recorded foreign exchange losses of NT\$935.5 million in 1998 and NT\$538.4 million in 1999, due primarily to losses attributable to Japanese yen-denominated liabilities created by us in the second half of 1998 to manage our foreign exchange exposure. We closed our position on these Japanese yen-denominated liabilities as of November 5, 1999, and currently our foreign currency denominated liabilities are denominated principally in U.S. Dollars.

The loss of a major customer or disruption of our strategic alliance with TSMC may result in a decline in our revenues and profitability.

Although we have over 200 customers, due in part to the concentration of market share in the semiconductor industry, we have derived and expect to continue to derive a large portion of our revenues from a small group of customers during any particular period. Our five largest customers together accounted for approximately 34%, 40% and 44% of our sales in 1998, 1999 and 2000, respectively. Other than Motorola in 1999, and Motorola and VIA Technologies, Inc. in 2000, no customer accounted for more than 10% of our net revenues in 1998, 1999 or 2000. In connection with our acquisition in July 1999 of Motorola's in-house packaging and testing operations in Chung Li and Korea, we entered into manufacturing services agreements which expire in 2004 for Motorola's continuing business at the Chung Li and Korea facilities. As a result, Motorola accounted for approximately 16% of our 1999 sales and approximately 22% of our sales in 2000. There has been significant variation in the composition of our largest five customers over time. This variation is due primarily to the high level of competition in the semiconductor industry in which our customers operate. The demand for our services from each customer is directly dependent upon that customer's level of business activity, which could vary significantly from year to year. As a result, we have been less dependent on any particular customer over time.

Our strategic alliance with Taiwan Semiconductor Manufacturing Company Limited, the world's largest dedicated semiconductor foundry, enables us to offer complete semiconductor manufacturing services to our customers. This strategic alliance is terminable at will by either party. A termination of this strategic alliance, and our failure to enter into a substantially similar alliance, may adversely affect our competitiveness and our revenues and profitability.

All of our key customers operate in the cyclical semiconductor business and have in the past, and may in the future, vary order levels significantly from period to period. Moreover, over half of our customers are fabless semiconductor companies which outsource substantially all of their wafer fabrication and packaging requirements. Many of these companies are relatively small, have limited operating histories and financial resources, and are highly exposed to the cyclicity of the industry. There can be no assurance that these customers or any other customers will continue to place orders with us in the future at the same levels as in prior periods. The loss of one or more of our significant customers,

or reduced orders by any one of them, and our inability to replace these customers or make up for such orders could reduce our profitability. In addition, we have in the past reduced, and may in the future be requested to reduce, our prices to limit the level of order cancellations. These price reductions would in turn be likely to reduce our margins and profitability.

We depend on our agents for sales and customer service in North America and Europe. Any serious interruption in our relationship with these agents, or substantial loss in their effectiveness, could significantly reduce our revenues and profitability.

We depend on non-exclusive agents for sales and customer service in North America and Europe. Our sales agents help us identify customers, monitor delivery acceptance and payment by customers and, within parameters set by us, help us negotiate price, delivery and other terms with our customers. Purchase orders are placed directly with us by our customers. Our customer service agents provide customer service and after-sales support to our customers.

Currently, our sales and customer service agents perform services only for us and ASE Test, our subsidiary, but they are not owned or controlled by us. These agents are free to perform sales and support services for others, including our competitors. In particular, we may not be able to find an adequate replacement for these agents or to develop sufficient capabilities internally on a timely basis. Any serious interruption in our relationship with these agents or substantial loss in their effectiveness in performing their sales and customer service functions could significantly reduce our revenues and profitability.

Our revenue and profitability may decline if we are unable to obtain adequate supplies of raw materials in a timely manner and at a reasonable price.

Our packaging operations require that we obtain adequate supplies of raw materials on a timely basis. Shortages in the supply of raw materials experienced by the semiconductor industry have in the past resulted in occasional price increases and delivery delays. For example, in 1997 and 1998, the industry experienced a shortage in the supply of advanced substrates used in ball grid array, or BGA, packaging. In 1997 we established ASE Material Inc., a company engaged in the development, production and sales of substrates and leadframes, to partially reduce this risk. However, ASE Material will not meet all of our raw materials requirements and consequently we will remain dependent on market supply and demand. We cannot assure you that we will be able to obtain adequate supplies of raw materials in a timely manner and at a reasonable price. Our revenues and earnings could decline if we were unable to obtain adequate supplies of high quality raw materials in a timely manner or if there were significant increases in the costs of raw materials that we could not pass on to our customers.

Any environmental claims or failure to comply with any present or future environmental regulations may require us to spend additional funds and may materially and adversely affect our financial condition and results of operations.

We are subject to a variety of laws and regulations relating to the use, storage, discharge and disposal of chemical by-products of, and water used in, our packaging process. Although we have not suffered material environmental claims in the past, the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of our operations. New regulations could require us to acquire costly equipment or to incur other significant expenses. Any failure on our part to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities that may have a material adverse effect on our financial condition and results of operations.

Our controlling shareholders may take actions that are not in, or may conflict with, our public shareholders' best interest.

Members of the Chang family own, directly or indirectly, a controlling interest in our outstanding common shares. See "Item 7 — Major Shareholders". Accordingly, these shareholders will continue to have the ability to exercise a controlling influence over our business, including matters relating to:

- our management and policies;

- the timing and distribution of dividends; and
- the election of our directors and supervisors.

Members of the Chang family may take actions that you may not agree with or that are not in our or our public shareholders' best interests.

We are an ROC company, and because the rights of shareholders under ROC law differ from those under U.S. law, you may have difficulty protecting your shareholder rights.

Our corporate affairs are governed by our Articles of Incorporation and by the laws governing corporations incorporated in the ROC. The rights of shareholders and the responsibilities of management and the members of the board of directors under ROC law are different from those applicable to a corporation incorporated in the United States. For example, directors and controlling shareholders of ROC companies do not owe fiduciary duties to minority shareholders. Therefore, public shareholders of ROC companies may have more difficulty in protecting their interest in connection with actions taken by management or members of the board of directors than they would as public shareholders of a U.S. corporation.

Risks Relating to Taiwan, Republic of China

Strained relations between the Republic of China and the People's Republic of China could negatively affect our business and the market value of your investment.

Our principal executive offices and our principal packaging and testing facilities are located in Taiwan and approximately 75.2% of our net revenues in 2000 from packaging and testing services are derived from our operations in Taiwan. The Republic of China has a unique international political status. The People's Republic of China asserts sovereignty over all of China, including Taiwan. The People's Republic of China government does not recognize the legitimacy of the Republic of China government. Although significant economic and cultural relations have been established in recent years between the Republic of China and the People's Republic of China, relations have often been strained and the government of the People's Republic of China has indicated that it may use military force to gain control over Taiwan in some circumstances, such as the declaration of independence by the Republic of China. Relations between the Republic of China and the People's Republic of China have been particularly strained in recent years. Past developments in relations between the Republic of China and the People's Republic of China have on occasion depressed the market price of the shares and ADSs of Taiwanese companies. Relations between the Republic of China and the People's Republic of China and other factors affecting the political or economic conditions in Taiwan could have a material adverse effect on our financial condition and results of operations, as well as the market price and the liquidity of our ADSs and common shares.

Because a substantial portion of our business and operations are located in Taiwan, a severe earthquake in the future could severely disrupt the normal operation of our business and adversely affect our earnings.

Taiwan is susceptible to earthquakes. On September 21, October 22 and November 2, 1999, Taiwan experienced severe earthquakes which caused significant property damage and loss of life, particularly in the central part of Taiwan. These earthquakes damaged production facilities and adversely affected the operations of many companies involved in the semiconductor and other industries. We experienced no structural damage to our facilities and no damage to our machinery and equipment as a result of these earthquakes. There were, however, interruptions to our production schedule primarily as a result of power outage caused by the earthquakes. Our production facilities as well as many of our suppliers and customers and providers of complementary semiconductor manufacturing services, including foundries, are located in Taiwan. If our customers are affected, it could result in a decline in the demand for our packaging and testing services. If our suppliers and providers of complementary semiconductor manufacturing services are affected, our production schedule could be interrupted or delayed. As a result, a major earthquake in Taiwan could severely disrupt the normal operation of business and have a material adverse effect on our financial condition and results of operations.

Risks Relating to Ownership of ADSs

If an active market for our ADSs fails to be sustained, the price of our ADSs may fall.

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors, compared to less active and less liquid markets. Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Although ADS holders are entitled to withdraw the common shares underlying the ADSs from the depository at any time, ROC law requires that the common shares be held in an account in the ROC or sold for the benefit of the holder on the Taiwan Stock Exchange. In connection with any withdrawal of common shares from our ADS facility, the ADSs evidencing these common shares will be cancelled. Unless additional ADSs are issued, the effect of withdrawals will be to reduce the number of outstanding ADSs and, if a significant number of withdrawals are effected, to reduce the liquidity of the ADSs. We cannot assure you that the ADS depository will be able to arrange for a sale of deposited shares in a timely manner or at a specified price, particularly during periods of illiquidity or volatility with respect to our common shares.

As a holder of ADSs, your voting rights are limited by the terms of the deposit agreement. You will not be able to exercise your voting rights on an individual basis.

As a holder of ADRs evidencing ADSs, you will not be able to exercise voting rights on an individual basis. You may exercise your voting rights with respect to the underlying common shares only in accordance with the provisions of the deposit agreement. In particular, for any resolution to be proposed at a shareholders meeting, only holders who (1) have provided voting instructions in a timely manner in accordance with the provisions of the deposit agreement, and (2) together own at least 51% of the outstanding ADSs voting in the same manner, will be able to vote the common shares representing their ADSs in the manner set forth in their voting instructions. In all other cases, holders will be deemed to have authorized and directed the depository to give a discretionary proxy to our Chairman or his designee to vote the common shares represented by their ADSs in any manner he or his designee may wish, which may not be in the interests of the holders.

During any period in which your ADSs represent the irrevocable right to receive our common shares evidenced by certificates of payment deposited with the custodian, you may exercise your voting rights in the same manner as if your ADSs represented our common shares.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depository will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act of 1933 with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. We can give no assurances that we can establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. In addition, if the depository is unable to obtain the requisite approval from the Central Bank of China for the conversion of the subscription payments into NT Dollars or if the depository determines that it is unlikely to obtain the required approval, we may decide with the depository not to make the rights available to holders of ADSs. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

If the depository is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

Changes in exchange controls which restrict your ability to convert proceeds received from your ownership of ADSs may have an adverse effect on the value of your investment.

Under current ROC law, the depository, without obtaining further approvals from the Central Bank of China or any other governmental authority or agency of the ROC, may convert NT Dollars into other currencies, including U.S. Dollars, for:

- the proceeds of the sale of common shares represented by ADSs or received as stock dividends from the common shares; and
- any cash dividends or distributions received from the common shares.

In addition, the depositary may also convert into NT Dollars incoming payments for purchases of common shares for deposit in the depositary receipt facility against the creation of additional ADSs. The depositary may be required to obtain foreign exchange approval from the Central Bank of China on a payment-by-payment basis for conversion from NT Dollars into foreign currencies of the proceeds from the sale of subscription rights of new common shares. Although it is expected that the Central Bank of China will grant this approval as a routine matter, we cannot assure you that in the future any approval will be obtained in a timely manner, or at all.

Under current ROC law, a holder, without obtaining further approval from the Central Bank of China, may convert from NT Dollars into other currencies, including U.S. Dollars, the following:

- the proceeds of the sale of any underlying common shares withdrawn from the depositary receipt facility or received as a stock dividend; and
- any cash dividends or distribution received.

Under the ROC Foreign Exchange Control Law, the Executive Yuan of the ROC government may, without prior notice but subject to subsequent legislative approval, impose foreign exchange controls in the event of, among others, a material change in international economic conditions. We cannot assure you that foreign exchange controls or other restrictions will not be introduced in the future.

The market value of your investment may fluctuate due to the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in other European countries. The Taiwan Stock Exchange has experienced substantial fluctuations in the prices and volumes of sales of listed securities and there are currently limits on the range of daily price movements on the Taiwan Stock Exchange. The Taiwan Stock Exchange Index peaked at 12,495.3 in February 1990, and subsequently fell to a low of 2,560.5 in October 1990. On September 25, 2000, the Taiwan Stock Exchange Index closed at 6,667.5. The Taiwan Stock Exchange has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of ROC companies, including our ADSs and common shares, in both the domestic and the international markets.

You may have difficulty enforcing any judgment obtained in the United States against us or our directors and supervisors or executive officers.

Our company is incorporated under the laws of the ROC. A substantial majority of our directors, supervisors and executive officers reside in the ROC. In addition, a substantial portion of our assets and the assets of those persons are located in the ROC. As a result, it may not be possible for investors to effect service of process upon us or those persons within the United States, or it may be difficult to enforce against us or them judgments obtained in the U.S. courts, including those based upon the civil liability provisions of the federal securities laws of the United States. In addition, we have been advised by Lee and Li, our ROC counsel, that there is doubt as to whether ROC courts will enter judgments in original actions brought in ROC courts based solely upon the civil liability provisions of the federal securities laws of the United States.

Purchasers of ADSs may incur dilution as a result of the practice among ROC technology companies of issuing stock bonuses to employees.

Similar to other ROC technology companies, we issue from time to time bonuses in the form of common shares valued at par under our employee stock bonus plan. Because these shares are issued at par value, the issuance of these shares may have a dilutive effect on your ADSs.

Item 4. Information on the Company.

HISTORY AND DEVELOPMENT OF THE COMPANY

Our legal name is Advanced Semiconductor Engineering, Inc. and we are also known as "ASE". We were incorporated on March 23, 1984 under the laws of the Republic of China as a company limited by shares. Our principal place of business is at 26 Chin Third Road, Nantze Export Processing Zone, Nantze, Kaohsiung, Taiwan, Republic of China and our phone number is 886-7-361-7131. Our agent for service of process in the U.S. is CT Corporation System, 111 Eighth Avenue, New York, New York 10011 and our agent's phone number is 212-894-8940.

We were established in 1984 as a packaging and testing company, with facilities in the Nantze Export Processing Zone. Our business grew and we were listed on the Taiwan Stock Exchange in 1989. In 1990, we acquired ASE Test Taiwan, which provides our customers with testing services. In 1991, we established ASE Test Malaysia, which also provides our customers with testing and packaging services. In 1996 we established ASE Philippines, which conducts testing and packaging services. In 1997 we established ASE Materials, which manufactures etched leadframes, and assists us in reducing our dependency on outsourced leadframes. In 1997 we constructed a new facility in Kaohsiung for packaging services and established a research and development laboratory.

ASE Chung Li and ASE Korea

In July 1999, we purchased Motorola's Semiconductor Products Sector operations in Chung Li, Taiwan and Paju, South Korea for the packaging and testing of semiconductors with principally communications, consumer and automotive applications. The businesses are now operated by ASE Chung Li and ASE Korea. We acquired substantially all of the assets of ASE Chung Li for a base price of US\$150.0 million in cash, consisting of an initial payment of US\$80.0 million at closing and an additional US\$70.0 million payable over three years if sales volume targets are met. We acquired 100% of the outstanding shares of ASE Korea for a base price of US\$140.0 million in cash, consisting of an initial payment of US\$36.0 million and an additional US\$104.0 million payable over five years. In addition to the combined base price of US\$290.0 million, we also paid an aggregate of approximately US\$60.1 million in cash to purchase capital assets at both facilities which were acquired after January 1, 1999 and specified inventories and cash positions at both facilities. Under the acquisition agreements, ASE Inc. acquired a 70.0% interest in each of the two businesses, and ASE Test acquired the remaining 30.0% interest. This division of the investment reflected in part our estimate of the relative packaging and testing values at the facilities. Both facilities provide semiconductor packaging and testing services for Motorola's Semiconductor Products Sector, and will continue to do so for at least three to five years following the completion of the acquisition under manufacturing services agreements with Motorola.

ISE Labs

In May 1999, we acquired 70.0% of the outstanding shares of ISE Labs, a semiconductor testing company with principal facilities located in Fremont and Santa Clara, California. The total purchase price for our 70.0% equity interest in ISE Labs was US\$98.0 million. The stock purchase agreement provides that in the event ISE Labs (1) does not consummate an initial public offering of its common stock prior to December 31, 2001 at or above a specified price or (2) disposes of certain of its material assets, which in the aggregate is greater than 15% of the total assets of ISE Labs as shown on the most recent audited balance sheet of ISE Labs, then we will be obligated to purchase the remaining shares for US\$42 million plus accrued interest. The purchase price is payable either in cash or in shares of ASE Test at the option of the holders of the remaining shares, who are primarily founders and employees of ISE Labs or its predecessors.

In April, July and November, 2000, we purchased additional shares of ISE Labs at an aggregate purchase price of US\$70.9 million. As a result of these purchases, we owned 80.4% of the outstanding shares of ISE Labs as of December 31, 2000.

Universal Scientific

From February through July of 1999, we purchased 22.6% of the outstanding shares of Universal Scientific for approximately NT\$3,532.5 million (US\$115.0 million), principally through open market purchases on the Taiwan Stock Exchange. We subsequently increased our holding to 23.3% following the open market purchase of additional shares

in July and August of 2000. Six out of the nine directors on the Universal Scientific board of directors, including the chairman, are our representatives.

BUSINESS OVERVIEW

We believe we are one of the world's largest independent providers of semiconductor packaging services and, together with our subsidiary ASE Test Limited, one of the world's largest independent providers of semiconductor testing services, including front-end engineering testing, wafer probing and final testing services. We believe that we are better positioned than our competitors to meet the requirements of semiconductor companies worldwide for outsourced packaging and testing services across a wide range of end use applications because of:

- our broad range of advanced semiconductor packaging and testing services;
- our expertise in product and process technology for the manufacture of increasingly lighter and thinner semiconductor packages with lower power consumption and better thermal dissipation characteristics;
- our expertise in interconnect materials and assembly of electronics boards;
- our financial position which enables us to make significant investments for future growth through both the expansion of existing capacity and the acquisition of new businesses, technologies and operations;
- our experience in integrating acquired operations and using the acquired operations to provide services to their former owners;
- our strategic geographic locations with experienced teams in key centers for outsourced semiconductor manufacturing; and
- our strategic alliance with Taiwan Semiconductor Manufacturing Company Limited, or TSMC, the world's largest dedicated semiconductor foundry, to provide complete turnkey services.

We plan to continue to expand our business and operations through both internal growth and acquisitions in order to enhance our technological, processing and materials capabilities, broaden our geographic coverage and increase our production capacity, economies of scale and management resources. In 2000, we incurred consolidated capital expenditures of NT\$31,463.5 million (US\$948.6 million) for the expansion of our facilities. In addition, in 1999 and 2000 we acquired the semiconductor packaging and testing facilities of Motorola in Taiwan and Korea, a 80.4% interest in ISE Labs, a front-end engineering testing service provider, and a controlling 23.3% interest in Universal Scientific, a leading contract provider of electronics board assembly services in Taiwan.

We offer packaging and testing services separately and on a turnkey basis. Turnkey services consist of integrated packaging, testing and direct shipment of semiconductors to end users designated by our customers. Through our strategic alliance with and close geographic proximity to TSMC, we are able to expand the traditional scope of turnkey services to offer total semiconductor manufacturing services to our customers, including access to wafer fabrication services, also called foundry services, in addition to our packaging, testing and direct shipment services. We are developing similar strategic alliances with other major foundries and providers of other complementary semiconductor manufacturing services. Through the effective implementation of our strategy, we have been able to address the advanced semiconductor engineering requirements of our customers for packaging and testing services. Our global base of over 200 customers includes leading semiconductor companies across a wide range of end use applications:

- Advanced Micro Devices, Inc.
- Altera Corporation
- ATI Technologies Inc.
- Cirrus Logic International Ltd.
- Conexant Systems, Inc.
- Delphi Automotive Systems Corp.

- DSP Group
- LSI Logic Corporation
- Motorola, Inc.
- On Semiconductor Corp.
- Philips Electronics NV
- Qualcomm Incorporated
- ST Microelectronics Pte Ltd.
- VIA Technologies, Inc.

Industry Background

General

Semiconductors are the basic building blocks used to create an increasing variety of electronic products and systems. Continuous improvements in semiconductor process and design technologies have led to smaller, more complex and more reliable devices at a lower cost per function. These improvements have resulted in significant performance and price benefits to manufacturers of electronic systems. As a result, semiconductor demand has grown substantially in our primary markets of communications and personal computer equipment, and has experienced increased growth in additional markets such as consumer electronic devices, automotive products and industrial automation and control systems.

Outsourcing Trends in Semiconductor Manufacturing

Historically, semiconductor companies designed, manufactured, packaged and tested semiconductors primarily in their own facilities. In recent years, there has been a trend in the industry to outsource stages in the manufacturing process. Virtually every significant stage of the manufacturing process can be outsourced. Wafer foundry services and semiconductor packaging services are currently the largest segments of the independent semiconductor manufacturing services market. Most of the world's major integrated device manufacturers use some independent manufacturing services to maintain a strategic mix of internal and external manufacturing capacity. We believe that many of these manufacturers are significantly reducing their investments in new semiconductor packaging and testing facilities and that several are contemplating the divestment of their in-house packaging and testing operations. Motorola's sale to us of its packaging and testing operations in Taiwan and Korea in 1999 is an example of this divestment trend.

The availability of technologically advanced independent manufacturing services has also enabled the growth of "fabless" semiconductor companies that focus on semiconductor design and marketing and outsource their fabrication, testing and packaging requirements to independent companies. Similarly, the availability of technologically advanced independent manufacturing services has encouraged "systems companies," which traditionally outsourced the manufacturing of semiconductor components used in the assembly of their systems products to integrated device manufacturers, to increasingly outsource to independent semiconductor manufacturing companies.

We believe the outsourcing of semiconductor manufacturing services will increase in the future from current levels for many reasons, including the following:

Technological Sophistication and Significant Capital Expenditure. Semiconductor manufacturing processes have become highly complex, requiring substantial investment in specialized equipment and facilities and sophisticated engineering and manufacturing expertise. In addition, product life cycles have been shortening, magnifying the need to continuously upgrade or replace manufacturing equipment to accommodate new products. As a result, new investments in in-house packaging, testing and fabrication facilities are becoming less desirable to integrated device manufacturers not only because of the high investment costs as well as their inability to achieve sufficient economies of scales and

utilization rates in order to be competitive with the independent service providers. Independent packaging, testing and foundry companies, on the other hand, are able to realize the benefits of specialization and achieve economies of scale by providing services to a large base of customers across a wide range of products. This enables them to reduce costs and shorten production cycles through high capacity utilization and process expertise. In the process, they are also able to focus on discrete stages of semiconductor manufacturing and deliver services of superior quality.

Focus on Core Competencies. As the cost of semiconductor manufacturing facilities increases, semiconductor companies are expected to further outsource their semiconductor manufacturing requirements in order to focus their resources on core competencies, such as semiconductor design and marketing.

Time-to-Market Pressure. The increasingly short product life cycle has accelerated time-to-market pressure for semiconductor companies, leading them to rely increasingly on outsourced suppliers as a key source for effective manufacturing solutions.

Growth of Fabless Semiconductor Companies and Outsourcing by Systems Companies. The substantial growth in the number of fabless semiconductor companies and systems companies that increasingly outsource their manufacturing requirements to independent companies will also continue to drive growth in the market for independent foundry, packaging and testing services.

The Semiconductor Industry in Taiwan and Southeast Asia

The semiconductor industry in Taiwan has been a leader in, and a major beneficiary of, the trend in outsourcing. Most semiconductor companies in Taiwan are engaged in only one or two stages of the semiconductor manufacturing process. As a result, Taiwan's semiconductor industry tends to be more efficient as companies focus on particular stages of the semiconductor manufacturing process, develop economies of scale and maintain higher capacity utilization rates.

In addition, because companies which provide the major stages of the production process are located near one another, Taiwanese semiconductor companies are attractive to customers who wish to outsource several parts of their semiconductor manufacturing. For instance, a semiconductor company in the United States could obtain foundry, packaging, testing, and drop shipment services from companies located near one another in Taiwan, and as a result, reduce cycle times and unit costs while streamlining logistics. Moreover, a significant portion of the manufacturing capacity for the global electronics industry is located in Asia, further strengthening this competitive advantage. Through this specialization and a close network of customers and supplier partnerships, semiconductor companies in Taiwan can achieve superior economies of scale, flexibility, and customer responsiveness. Furthermore, Taiwan also has an educated labor pool and a large number of engineers suitable for sophisticated manufacturing industries such as semiconductors.

As a result of the growth of the global semiconductor market, the semiconductor industry in Taiwan has in recent years made significant capital expenditures to expand capacity and technological capabilities. The ROC government has also provided tax incentives, long-term loans at favorable rates and research and development support, both directly and indirectly through support of research institutes and universities. As a result of investments made in recent years, Taiwan has achieved substantial market share in the outsourced semiconductor manufacturing business. Furthermore, the growth of Taiwan's electronics industry, particularly in personal computer design and manufacturing, has created substantial local demand for semiconductors.

Many of the factors that contributed to the growth of the semiconductor industry in Taiwan have also contributed to the recent development of the semiconductor industry in Southeast Asia. Access to expanding semiconductor foundry services in Singapore, convenient proximity to major downstream electronics manufacturing operations in Malaysia, Singapore and Thailand, government sponsored infrastructure support, tax incentives and pools of skilled engineers and labor at relatively low cost have all encouraged the development of back-end semiconductor service operations in Southeast Asia. The downstream electronics manufacturers in Southeast Asia have typically focused on products used in the communications, industrial and consumer electronics and personal computer peripheral sectors. The proximity to both semiconductor foundries and end users has influenced local and international semiconductor companies increasingly to obtain packaging, testing and drop shipment services from companies in Southeast Asia.

Overview of Semiconductor Manufacturing Process

The manufacturing of semiconductors is a complex process that requires increasingly sophisticated engineering and manufacturing expertise. The following table sets forth the main stages of the manufacturing process. We are involved in all stages of the semiconductor manufacturing process except circuit design and wafer fabrication.

<u>Process</u>	<u>Description</u>
<i>Circuit Design</i>	The design of a semiconductor is developed by laying out circuit components and interconnections. A complex circuit may be designed with as many as 20 layers of patterns or more.
<i>Front-End Engineering Test</i>	Throughout and following the design process, prototype semiconductors undergo front-end engineering testing, which involves software development, electrical design validation, reliability and failure analysis.
<i>Wafer Fabrication</i>	Process begins with the generation of a photomask through the definition of the circuit design pattern on a photographic negative, known as a mask, by an electron beam or laser beam writer. These circuit patterns are transferred to the wafers using various advanced processes.
<i>Wafer Probe</i>	Each individual die is electrically tested, or probed, for defects. Dies that fail this test are marked to be discarded.
<i>Packaging</i>	Packaging, also called assembly, is the processing of bare semiconductors into finished semiconductors and serves to protect the die and facilitate electrical connections and heat dissipation. The patterned silicon wafer received from our customers are diced by means of diamond saws into separate dies, also called chips. Each die is attached to a leadframe or a laminate (plastic or tape) substrate by epoxy resin. A leadframe is a miniature sheet of metal, generally made of copper and silver alloys, on which the pattern of input/output leads has been cut. On a laminate substrate, typically used in ball grid array packages, the leads take the shape of small bumps or balls. Leads on the lead frame or the substrate are connected by extremely fine gold wires to the input/output terminals on the chips, through the use of automated machines known as “wire bonders”. Each chip is then encapsulated, generally in a plastic casing molded from a molding compound, with only the leads protruding from the finished casing, either from the edges of the package as in the case of the leadframe packages, or in the form of small bumps on a surface of the package as in the case of ball grid array or other laminate packages.
<i>Final Test</i>	Final testing is conducted to ensure that the packaged semiconductor device meets performance specifications. Final testing involves using sophisticated testing equipment and customized software programs to electrically test a number of attributes of packaged semiconductors, including functionality, speed, predicted endurance and power consumption. The final testing of semiconductors is categorized by the functions of the semiconductors tested into logic/mixed-signal final testing, and memory final testing. Memory final testing typically requires simpler test software but longer testing time per device tested.

Strategy

Our objective is to provide leading-edge semiconductor packaging and testing solutions which set industry standards and facilitate the industry trend to outsource semiconductor manufacturing requirements. The principal elements of our strategy are to:

Expand Strategically Our Production Capacity and Product Expertise

We plan to continue to expand strategically our production capacity and product expertise, both through internal growth and through acquisitions, to address the increasing demand for independent semiconductor packaging and testing services. We evaluate acquisition opportunities on the basis of access to new markets and technology, increased proximity to our existing and potential customers, the enhancement of our production capacity and economies of scale and our management resources.

In 1999, we acquired ISE Labs, an independent testing company with operations in California, Hong Kong and Singapore, as well as ASE Chung Li and ASE Korea, formerly the semiconductor packaging and testing operations of Motorola located in Chung Li, Taiwan and Paju, Korea. We acquired ISE Labs with a view to combining its front-end engineering testing capabilities with our final testing capabilities to provide our customers with complete semiconductor packaging and testing solutions. Through the acquisition of ASE Chung Li and ASE Korea, we gained access to specialized packaging and testing technologies with a focus on wireless communications and automotive end-products. As part of the acquisition, we also entered into service agreements for Motorola's continuing business at the Taiwan and Korea facilities. Our acquisition of the Motorola operations will serve as a model for our future acquisitions of in-house packaging and testing facilities of integrated device manufacturers.

We believe that the success of the Motorola acquisition will encourage other integrated device manufacturers to divest their in-house operations to us and then retain us to satisfy the packaging and testing requirements formerly met by their in-house operations. We continue to evaluate acquisition opportunities and plan to make additional acquisitions in the future if suitable opportunities arise. Although our general strategy is to expand or invest in new packaging facilities through ASE Inc. and new testing facilities through ASE Test, we will continue to make these determinations on a case-by-case basis. For opportunities such as the former Motorola facilities in Taiwan and Korea with integrated packaging and testing operations, we may continue to divide our investments among group companies to reflect our estimates of the relative packaging and testing values at those facilities.

Enhance Our Technological, Processing and Materials Capabilities

We intend to continue our focus on developing advanced process and product technology in order to provide our customers with leading-edge solutions for their semiconductor packaging and testing requirements. Our expertise in packaging technology has enabled us to develop solutions such as fine-pitch bonding for leadframe packages, stacked die configuration for ball grid arrays and bump chip carrier packaging for communications applications.

We intend to enhance our expertise both upstream and downstream in the semiconductor manufacturing process in order to better serve our customers in our core services of packaging and testing. As product lives and production cycles shorten and packaging and testing technologies advance more rapidly, our customers increasingly value our ability, as a downstream service provider, to work with them as an integral and strategic partner in the upstream development of their products. Our acquisition of the front-end engineering testing capabilities of ISE Labs has enhanced greatly our capabilities to participate in the earlier stages of circuit design and the semiconductor manufacturing process. Our establishment of ASE Material for the production of interconnect materials such as leadframes and substrates has provided us with expertise in interconnect technology, which has become an increasingly critical part of the product development stage for our customers in terms of cost and production time.

The increasing miniaturization of semiconductors and the growing complexity of interconnect technology have led to the blurring of the traditional distinctions among assembly at different (that is, upstream and downstream) levels of integration: chip, module, board and systems. Our acquisition of a controlling interest in Universal Scientific has given us access to process and product technologies at the levels of module, board and systems assembly and test, which helps us to better anticipate industry trends and the needs of our end users, who are the end-clients of our customers.

Strengthen and Develop Strategic Alliances with Providers of Complementary Manufacturing Services

We intend to strengthen existing and develop new strategic alliances with providers of other complementary semiconductor manufacturing services, such as foundries, as well as equipment vendors, raw material suppliers and technology research institutes, in order to offer our customers total semiconductor manufacturing solutions covering all stages of the manufacturing of their products from design to shipment.

Since 1997, we have maintained a strategic alliance with TSMC, the world's largest dedicated semiconductor foundry, which designates the ASE Group as the non-exclusive preferred provider of packaging and testing services for semiconductors manufactured by TSMC. Through our strategic alliance with and close geographic proximity to TSMC, we are able to offer our customers a total semiconductor manufacturing solution that includes access to foundry services in addition to our packaging, testing and direct shipment services.

We are also working with TSMC in developing the next generation of packaging product technology. We are developing similar strategic relationships with other major foundries and providers of other complementary semiconductor manufacturing services in Taiwan and Southeast Asia with which we already have close business relationships.

Better Serve Our Customers Through Our Diversified Geographic Presence

We are located in close geographic proximity to the facilities of our customers and providers of complementary semiconductor manufacturing services, including foundries, in key centers for outsourced semiconductor manufacturing. This proximity enables us to work closely with our customers, and other service providers, enhances our responsiveness to the requirements of our customers and shortens production cycles by reducing the time required to ship semiconductors from one stage of the manufacturing process to the next. We maintain packaging or testing facilities in the following strategic locations in order to better serve our customers:

- Taiwan — currently the largest center for outsourced semiconductor manufacturing in Asia with its high concentration of foundries, customers and end users;
- Malaysia and Singapore — the emerging center for outsourced semiconductor manufacturing in Southeast Asia with a concentration of integrated device manufacturers;
- Korea — a center for the manufacturing of memory devices and semiconductors for communications applications with a concentration of integrated device manufacturers specializing in these products; and
- Silicon Valley in California — the pre-eminent center for semiconductor design with a concentration of fabless customers.

Achieve Economies of Scale From Our Expanded Production Capacity

We are re-mapping our organizational management structure to better integrate our operations in areas such as research and development, purchasing, manufacturing processes and materials, marketing and sales and information technology systems across our various facilities. Operations that were formerly conducted more or less independently at our individual facilities will be coordinated more closely and come under more centralized management. The pooling of resources in a matrix organizational management structure will enable all of our facilities to realize the benefits of the expanded scale of our aggregate production, such as reduced cost of raw materials and equipment purchased through collective bargaining with various raw materials suppliers and equipment vendors, a broader range of solutions and services, enhanced geographic coverage and increased flexibility in capacity allocation.

We are developing procedures which will facilitate the sharing of the different expertise in process technology and practical know-how among our different facilities. The sharing of best practices will significantly reduce the amount of time required by our facilities to install and operate a new production line for the packaging or testing of new product types for which one of our facilities may have greater expertise or know-how.

Principal Products and Services

We offer a broad range of semiconductor packaging products and testing services. Our packaging products are based primarily on surface mount technology, also known as SMT, and employ either leadframes or laminate substrates as interconnect materials. Our packaging products are used in a wide range of end use markets, including for communications, consumer, industrial, automotive, personal computer and other applications. Our testing services include front-end engineering testing, which is performed during and following the initial circuit design stage of the semiconductor manufacturing process; wafer probe; final testing and other related semiconductor testing services. We

offer our customers the integrated packaging, testing and direct shipment of semiconductors to end users designated by our customers. In 2000, our packaging revenues accounted for 74.7% of our net revenues and our testing revenues accounted for 25.1% of our net revenues.

Packaging

We offer a broad range of semiconductor packages using primarily SMT technology, including:

- plastic leaded chip carrier packages, also called PLCC;
- quad flat packages, also called QFP;
- thin quad flat packages, also called TQFP;
- small outline plastic packages, also called SOP;
- small outline plastic J-bend packages, also called SOJ;
- thin small outline plastic packages, also called TSOP; and
- ball grid array, also called BGA.

Within our packaging product portfolio, we focus on the assembly of semiconductor packages for which there is expected to be strong demand, including high pin-count SMT packages, such as QFPs and TQFPs, both of which are based on leadframes, and SMT packages based on laminate substrates, such as BGAs.

In SMT, the leads on semiconductors and other electronic components are soldered to the surface of the printed circuit board rather than inserted into holes, as compared with the older pin-through-hole technology, also called PTH. Our principal PTH product is plastic dual in-line packages, also called PDIP. SMT can accommodate a substantially higher number of leads than PTH, enabling the board to interconnect a greater number of integrated circuits. This in turn allows a reduction in the number of integrated circuits used and, together with tighter component spacing, permits a reduction in the dimensions of the printed circuit board. Because of their high lead counts, most very large scale integrated circuits are configured for surface mounting. Additionally, SMT allows components to be placed on both sides of the board, enabling even greater density. The substantially finer lead-to-lead spacing, or pitch, in SMT products requires a packaging process which is more exacting than the packaging process for PTH products.

Leadframe-based products are the traditional SMT packages which are packaged by connecting the die, using wire bonders, to the leadframe with gold wire leads. As the packaging technology improves, the number of leads per package increases. In the process, packages have evolved from the lower pin-count plastic leaded chip carriers to quad flat packages. The following table sets forth our principal leadframe-based packaging products.

<u>Package Format</u>	<u>Number of Leads</u>	<u>Description</u>	<u>End Use Applications</u>
Quad Flat Package (QFP)/Thin QFP (TQFP)	32-240	QFPs designed for advanced processors and controllers, ASICs, and DSPs.	Multimedia applications, cellular phones, personal computers, automotive and industrial products, hard disk drives, communication boards such as ethernet, integrated services digital network, also called ISDN, and notebook computers.
Plastic Leaded Chip Carrier (PLCC)	20-84	Designed for applications that do not require low profile package with high density of interconnects.	Personal computers, scanners, electronic games and monitors.

<u>Package Format</u>	<u>Number of Leads</u>	<u>Description</u>	<u>End Use Applications</u>
Small Outline Plastic Package (SOP)/ Thin SOP (TSOP)	8-54	Leadframe packages designed for memory devices including logic and analog devices, SRAM, DRAM, fast static RAM, also called FSRAM, and flash memory devices.	Consumer audio/video and entertainment products, cordless telephones, pagers, fax machines, printers, copiers, personal computer peripherals, automotive parts, telecommunications products, recordable optical disks and hard disk drives.
Small Outline Plastic J-Bend Package (SOJ)	20-44	Package designed for memory and low pin-count applications	DRAM memory devices, microcontrollers, digital analog conversions and audio/video applications.
Plastic Dual In-line Package (PDIP)	28-42	Package used in consumer electronic products.	Telephones, televisions, audio/video applications and computer peripherals.

Laminate-Based BGA Products.

An important subset of SMT packages are BGA packages. In BGA technology, the leads used to connect the semiconductor device to the circuit board take the shape of small bumps or balls which are attached to the bottom of the package surface, as opposed to traditional leadframe technology which has leads protruding from the edges like pins. These small bumps or balls are typically distributed evenly across the bottom surface of the package, allowing greater distance between individual leads. BGA packages typically feature higher pin-count, smaller package sizes, greater reliability, superior electrical signal transmission, and better heat dissipation than traditional leadframe-based packaging technology. BGA packages are generally used in applications where size, density and performance are important considerations, such as cellular handsets and high pin-count graphic chipsets. We also have capabilities in stacked-die BGA, which assembles multiple dies into a single package. As an extension to stacked-die BGA, we also assemble systems-in-a-package products, which are integrated combinations of logic chips assembled into the same package. We believe that we are among the leaders in these packaging technologies.

The industry demand for BGA packages has grown significantly in recent years. In light of the continuing demand for packages with higher pin-counts and smaller sizes, we commenced in July 2000 volume production in flip chip packages. For interconnections within the package, flip chip BGA technology replaces wire bonding with wafer bumping, which requires tiny solder balls, instead of wires, to be placed on top of dies for connection to substrates. As compared with more traditional packages which allow input/output connection only on the boundaries of the dies, flip chip packages significantly enhance the input/output flow by allowing input/output connection over the entire surface of the dies.

In addition, we are currently developing land grid array, or LGA, a type of BGA package. Because LGA packages do not employ solder balls, it is a lead-free packaging solution. LGA packages are designed for semiconductors requiring a small, thin and light package. We expect LGA packages to be used in end use applications such as portable personal computers, personal digital assistants and cellular phones.

The following table sets forth our principal BGA packaging products.

<u>Package Format</u>	<u>Number of Leads</u>	<u>Description</u>
Plastic BGA	119-665	Designed for semiconductors which require the enhanced performance provided by plastic BGA, including personal computer chipsets, graphic controllers and microprocessors, ASICs, DSPs and memory devices. Applications include wireless products, cellular phones, global positioning systems, notebook computers, disk drives and video cameras.
Map BGA	36-256	Smaller and thinner than conventional plastic BGA designed for semiconductors such as memory, analog, and ASICs requiring a smaller package. Applications include cellular and other telecommunications and wireless systems, global positioning systems, notebook/subnotebook computers and personal digital assistants, also called PDAs.
Film BGA	112-280	Substrate-based package that has higher performance and lower profile than plastic BGA. Applications include cellular phones, pagers, wireless communications, DSPs and micro-controller applications and high performance disk drives.
Viper BGA	256-480	Designed for memory devices such as flash memory devices, SRAM, DRAM and FSRAM, microprocessors/controllers and high value ASICs requiring a low profile, light and small package. Applications include cellular and other telecommunications products, wireless and consumer systems, PDAs, disk drives, notebook/subnotebook computers and memory boards.
Stacked-Die BGA	66-256	Combination of multiple dies in a single package enables package to have multiple functions within a small surface area. Applications include cellular phones, local area networks, also called LAN, graphic processors, digital cameras and pagers.
Flip Chip BGA	48-1500	Using advanced interconnect technology, flip chip BGA package allows higher density of input/output connection over the entire surface of the dies. Designed for high performance semiconductors that require high density of interconnects in a small package. Applications include high performance networking and graphics and processor applications.
Systems-in-a-Package	256-665	Integrated combination of microprocessor, logic controller and memory chips assembled in one package. Applications include digital televisions, fax modems, personal computer peripherals, CD players and copiers.

The following table sets forth, for the periods indicated, the percentage of our packaging revenues accounted for by each package type.

	<u>Year Ended December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	(percentage of packaging revenues)		
Package Types:			
BGA	22.0%	35.3%	44.2%
TQFP	15.9	18.4	18.2
QFP	35.4	22.0	14.6
SOJ/SOP	11.2	9.8	9.9
PLCC	8.2	4.4	3.0
PDIP	6.5	4.9	3.0
Other	0.8	5.2	7.1

	Year Ended December 31,		
	1998	1999	2000
	(percentage of packaging revenues)		
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Testing

We provide a complete range of semiconductor testing services, including front-end engineering testing, wafer probing, final testing of logic/mixed-signal and memory semiconductors and other test-related services.

The testing of semiconductors requires technical expertise and knowledge of the specific applications and functions of the semiconductors tested. We believe that our testing services employ technology and expertise which are among the most advanced in the semiconductor industry. In addition to maintaining different types of testing equipment, which enables us to test a variety of semiconductor functions, we work closely with our customers to design effective testing and conversion programs on multiple equipment platforms for particular semiconductors.

In recent years, complex, high-performance logic/mixed-signal semiconductors have accounted for an increasing portion of our overall net testing revenues. As the testing of complex, high-performance semiconductors requires a large number of functions to be tested using more advanced testing equipment, these products generate higher revenues per unit of testing time, as measured in central processing unit, or CPU, seconds.

Front-End Engineering Testing. We provide front-end engineering testing services, including software program development, electrical design validation, and reliability and failure analysis.

- **Software Program Development.** Design and test engineers develop a customized software program and related hardware to test the semiconductor on advanced testing equipment. A customized software program is required to test the conformity of each particular semiconductor type to its unique functionality and specification.
- **Electrical Design Validation.** A prototype of the designed semiconductor is submitted to electrical tests using advanced test equipment, customized software programs and related hardware. These tests assess whether the prototype semiconductor complies with a variety of different operating specifications, including functionality, frequency, voltage, current, timing and temperature range.
- **Reliability Analysis.** Reliability analysis is designed to assess the long-term reliability of the semiconductor and its suitability of use for intended applications. Reliability testing can include “burn-in” services, which electrically stress a device, usually at high temperature and voltage, for a period of time long enough to cause the failure of marginal devices.
- **Failure Analysis.** In the event that the prototype semiconductor does not function to specifications during either the electrical design validation or reliability testing processes, it is typically subjected to failure analysis to determine why it did not perform as anticipated. As part of this analysis, the prototype semiconductor may be subjected to a variety of analyses, including electron beam probing and electrical testing.

Wafer Probing. Wafer probing is the step immediately before the packaging of semiconductors and involves visual inspection and electrical testing of the processed wafer for defects to ensure that it meets our customers’ specifications. Wafer probing services require expertise and testing equipment similar to that used in logic/mixed-signal testing, and several of our testers are also used for wafer probing.

Logic/Mixed-Signal Final Testing. We conduct final tests of a wide variety of logic/mixed-signal semiconductors, with the number of leads ranging in the single digits to several hundreds and operating frequencies of up to 400 MHZ, which is at the high end of the range for the industry. The products we test include semiconductors used for networking and wireless communications, graphics and disk controllers for home entertainment and personal computer applications, as well as a variety of application specific integrated circuits, or ASICs, for various specialized applications.

Memory Final Testing. We provide final testing services for a variety of memory products, such as static random access memory, or SRAM, dynamic random access memory, or DRAM, and single-bit electrical programmable read-only memory semiconductors.

Other Test-Related Services. We provide a broad range of additional test-related services, including:

- **Burn-in Testing.** Burn-in is the process of electrically stressing a device, usually at high temperature and voltage, for a period of time to simulate the continuous use of the device to determine whether this use would cause the failure of marginal devices.
- **Dry Pack.** Process which involves heating semiconductors in order to remove moisture before packaging and shipping to customers.
- **Tape and Reel.** Process which involves transferring semiconductors from a tray or tube into a tape-like carrier for shipment to customers.

Drop Shipment Services. We offer drop shipment services for shipment of semiconductors directly to end users designated by our customers. Drop shipment services are provided mostly in conjunction with logic/mixed-signal testing. We provide drop shipment services to a majority of our testing customers. A substantial portion of our customers at each of our facilities have qualified these facilities for drop shipment services. Since drop shipment eliminates the additional step of inspection by the customer before shipment to the end user, quality of service is a key consideration. We believe that our ability to successfully execute our full range of services, including drop shipment services, is an important factor in maintaining existing customers as well as attracting new customers.

The following table sets forth, for the periods indicated, the percentage of our testing revenues accounted for by each type of testing service.

	Year Ended December 31,		
	1998	1999	2000
	(percentage of testing revenues)		
Testing Services:			
Logic/mixed-signal final test	88.2%	96.9%	97.7%
Memory final test	<u>11.8</u>	<u>3.1</u>	<u>2.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Expansion

We commenced an expansion project in Chung Li, Taiwan in December 1999. The first phase of the project was the construction of a building with aggregate floor space of approximately 800,000 square feet to accommodate the expected growth of our operations in Chung Li, which construction was completed in the fourth quarter of 2000. The total value of the first phase of the project, including land and the completed building, is estimated at NT\$2.0 billion. Hung Ching, which is the developer of the project, bears all costs relating to the development. The new building houses ASE Chung Li’s testing operations as well as part of the operations of other ASE Group companies.

Furthermore, we commenced an expansion project in Kaohsiung, Taiwan in the second quarter of 2000. The first phase of the project was the construction of a building with aggregate floor space of 1.1 million square feet to accommodate the expected growth of our operations in Kaohsiung. Construction was completed in the third quarter of 2001 at a cost of NT\$2.0 billion. The new building houses part of ASE Inc.’s packaging operations in Kaohsiung, part of ASE Test Taiwan’s testing operations and part of ASE Material’s substrate manufacturing operations.

We also commenced an expansion project in Penang, Malaysia in the fourth quarter of 1999. The first phase of the project was the construction of a building with floor space of approximately 100,000 square feet which was completed in the third quarter of 2000. The aggregate cost of the project was US\$16 million.

Other Members of the ASE Group

Consolidated Subsidiaries

ASE Test. ASE Test, which is a Singapore company, is one of the largest independent testing companies in the world, providing a complete range of semiconductor testing services to leading international semiconductor companies. In addition, ASE Test provides a broad range of leadframe and laminate-based semiconductor packaging services. ASE Test has testing operations in Taiwan, the United States, Hong Kong and Singapore, and also maintains testing and packaging operations in Malaysia.

ASE Test was incorporated in 1996 and its ordinary shares have been quoted for trading on the Nasdaq National Market since June 1996 under the symbol “ASTSF”. Following the completion of ASE Test’s follow-on offering of ordinary shares on July 19, 2000, we held approximately 51.2% of the outstanding shares of ASE Test. We also hold the equivalent of another 2.5% of the company through options created on ASE Test’s convertible notes issued in 1999. ASE Test is a holding company whose significant assets are its ownership interests in the following operating companies:

- 100% of ASE Test Taiwan;
- 100% of ASE Test Malaysia;
- 80.4% of ISE Labs;
- 30% of ASE Chung Li (the remaining 70% of which is owned by ASE Inc.); and
- 30% of ASE Korea (the remaining 70% of which is owned by ASE Inc.).

In 2000, ASE Test recorded net revenues of US\$440.3 million, operating income of US\$114.9 million and net income of US\$107.2 million. We currently intend to maintain a majority ownership interest in ASE Test. We continue to evaluate acquisition opportunities and plan to make additional acquisitions in the future if suitable opportunities arise. Although our general strategy is to expand or invest in new packaging facilities through ASE Inc. and new testing facilities through ASE Test, we will make these determinations on a case-by-case basis. For opportunities such as the former Motorola facilities in Chung Li and Korea with integrated packaging and testing operations, we may continue to divide our investments among group companies to reflect our estimates of the relative packaging and testing values at those facilities.

ASE Material. ASE Material, which is a ROC company, manufactures leadframes and other substrates used in the packaging of semiconductors. ASE Material currently supplies our packaging facilities in Kaohsiung with a portion of our leadframe and substrate requirements. See “— Raw Materials and Suppliers — Packaging”. As of December 31, 2000, we held 50.5% of the outstanding shares of ASE Material, comprising 43.8% held by ASE Inc. and 6.7% held by ASE Test Taiwan. The supervisor and two of the five directors of ASE Material are representatives of ASE Inc., one director is a representative of ASE Test Taiwan and the remaining two directors of ASE Material are Jason C.S. Chang, our Chairman, and Richard H.P. Chang, our Vice Chairman and Chief Executive Officer, serving in their individual capacities.

We believe that interconnect technology will play an increasingly important role in semiconductor packaging as interconnect materials, such as leadframes and substrates, account for a growing portion of the cost of a semiconductor package. In anticipation of this trend, we established ASE Material in December 1997 for the purpose of developing, producing and selling leadframes and advanced substrates. In 2000, ASE Material supplied interconnect materials that accounted for approximately 12.1% of our consolidated raw material costs. Substantially all of these materials were leadframes. In 2000, ASE Material supplied approximately 25.4% of the substrate requirements at our packaging facilities in Kaohsiung. We expect to continue making investments in ASE Material in order to further develop our in-house interconnect technology.

ASE Material’s facilities are located in the Nantze Export Processing Zone near our packaging and testing facilities in Kaohsiung, Taiwan. ASE Material recently expanded its production capacity with new facilities located near our packaging and testing facilities in Kaohsiung and Chung Li, Taiwan. In 2000, ASE Material recorded revenues of

NT\$1,793.5 million (US\$54.1 million), operating loss of NT\$153.9 million (US\$4.6 million) and net loss of NT\$175.4 million (US\$5.3 million). Substantially all of ASE Material's sales are to other ASE Group companies, and accordingly, substantially all of its sales and net income are eliminated by ASE Inc. in preparing our consolidated financial statements.

ASE Technologies. ASE Technologies, Inc., a ROC company, designs and assembles notebook computers, set-top boxes and liquid crystal display monitors, and assembles board and sub-systems. As of December 31, 2000, we held 98% of the outstanding shares of ASE Technologies.

In 2000, ASE Technologies recorded revenues of NT\$157 million (US\$4.7 million), operating loss of NT\$211 million (US\$6.4 million) and net loss of NT\$188 million (US\$5.7 million). We intend to wind down the business of ASE Technologies upon approval from ASE Technologies' shareholders in September 2001.

Unconsolidated Affiliates

In addition to our consolidated subsidiaries, Universal Scientific and Hung Ching are commonly referred to as member companies in the ASE Group. As of December 31, 2000, we held approximately 23.3% of the outstanding shares of Universal Scientific and 25.1% of the outstanding shares of Hung Ching.

Universal Scientific. Universal Scientific, which is a ROC company, manufactures electronics products in varying degrees of system integration principally on a contract basis for original equipment manufacturers, including:

- electronics components such as thick film mixed signal devices, thick film resistors, high frequency devices and automotive and power electronic devices;
- board and sub-system assemblies such as customized SMT board assemblies, mother boards for personal computers, wireless local area network cards and fax control boards; and
- system assemblies such as portable computers, desktop personal computers, network computers and servers.

We are the largest shareholder in Universal Scientific and six out of the nine directors on its board of directors, including the chairman, are representatives of ASE Inc.

Universal Scientific's principal manufacturing facilities are located in Nantou, Taiwan. In 2000, Universal Scientific recorded net revenues of NT\$39,110 million (US\$1,179.1 million), operating income of NT\$1,835 million (US\$55.3 million) and net income of NT\$1,339 million (US\$40.4 million). The shares of Universal Scientific are listed on the Taiwan Stock Exchange. As of December 31, 2000, Universal Scientific had a market capitalization of NT\$10,664.9 million (US\$321.5 million).

Hung Ching. Hung Ching, which is a ROC company, is engaged in the development and management of commercial, residential and industrial real estate properties in Taiwan. Hung Ching's completed development projects include the ASE Design Center commercial project and the Earl Village residential project, both located in Hsichih, Taiwan. Hung Ching was founded in 1986 by Chang Yao Hung-ying. Mrs. Chang is the mother of both Jason C.S. Chang, our Chairman, and Richard H.P. Chang, our Vice Chairman and Chief Executive Officer, and is a director of ASE Inc. As of December 31, 2000, we held 25.1% of the outstanding shares of Hung Ching. Messrs. and Mdm. Chang and other members of the Chang family are controlling shareholders of Hung Ching.

In 2000, Hung Ching recorded net revenues of NT\$1,601 million (US\$48.3 million), operating income of NT\$156 million (US\$4.7 million) and net loss of NT\$35 million (US\$1.1 million). The shares of Hung Ching are listed on the Taiwan Stock Exchange. As of December 31, 2000, Hung Ching had a market capitalization of NT\$2,426.6 million (US\$73.2 million).

Seasonality

See “Item 5. Operating and Financial Review and Prospectus — Operating Results and Trend Information — Consolidated Quarterly Results”.

Sales and Marketing

Sales and Marketing Offices

We maintain sales and marketing offices in the United States, Taiwan and Malaysia. Our Hsinchu and Kaohsiung offices are staffed with employees from both ASE Inc. and ASE Test Taiwan. These employees often call on prospective customers together. In addition, the sales agent for our packaging and testing services maintains sales and marketing offices in San Jose, California; Tempe, Arizona; Austin, Texas; and Beverly, Massachusetts in the United States; and Brussels in Belgium. We conduct marketing research through our in-house customer service personnel and those of our sales agent and through our relationships with our customers and suppliers to keep abreast of market trends and developments. We also provide advice in the area of production process technology to our major customers planning the introduction of new products. In placing orders with us, our customers specify which of our facilities these orders will go to. Our customers conduct separate qualification and correlation processes for each of our facilities that they use. See “— Sales and Marketing — Qualification and Correlation by Customers”.

Sales and Customer Service Agents

Under commission agreements, each of ASE Inc., ASE Test Taiwan, ASE Korea, ASE Chung Li and ASE Test Malaysia has appointed Gardex International Limited as the non-exclusive sales agent for its services and products worldwide, excluding Asia. Gardex helps us identify customers, monitor delivery acceptance and payment by customers and, within parameters set by us, negotiate price, delivery and other terms with our customers. Purchase orders are placed directly with us by our customers. We pay Gardex a commission of between 0.6% and 1.0% of our sales outside of Asia, payable monthly, depending on the amount of these sales. In 2000, we paid US\$10.5 million in commission to Gardex.

Under service agreements, each of ASE Inc., ASE Test Taiwan, ASE Korea, ASE Chung Li and ASE Test Malaysia has appointed ASE (U.S.) Inc. as its non-exclusive agent to provide customer service and after-sales support to its customers in Europe and North America. We pay ASE (U.S.) Inc. a monthly fee based on ASE US’s monthly services associated costs and expenses. In 2000, we paid US\$13.6 million in fees and service charges to ASE (U.S.) Inc.

Both Gardex and ASE (U.S.) Inc. are wholly owned by Mr. Y.C. Hsu, who has had a long personal relationship with Mr. Jason C.S. Chang, our Chairman, that pre-dates the founding of our company. We have maintained business relationships with Gardex, ASE (U.S.) Inc. and their predecessors since 1985. Gardex and ASE (U.S.) Inc. currently perform services only for us.

Customers

Our global base of over 200 customers includes leading semiconductor companies across a wide range of end use applications:

- Advanced Micro Devices, Inc.
- Altera Corporation
- ATI Technologies Inc.
- Cirrus Logic International Ltd.
- Conexant Systems, Inc.
- Delphi Automotive Systems Corp.

- DSP Group
- LSI Logic Corporation
- Motorola, Inc.
- On Semiconductor Corp.
- Philips Electronics NV
- Qualcomm Incorporated
- ST Microelectronics Pte Ltd.
- VIA Technologies, Inc.

Our five largest customers together accounted for approximately 34%, 40% and 44% of our sales in 1998, 1999 and 2000, respectively. Other than Motorola, Inc. in 1999, and Motorola and VIA Technologies, Inc. in 2000, no customer accounted for more than 10% of our net revenues in 1998, 1999 or 2000. In connection with our acquisition in July 1999 of Motorola's in-house packaging and testing operations in Chung Li and Korea, we entered into manufacturing services agreements for Motorola's continuing business at the Chung Li and Korea facilities. As a result, Motorola accounted for approximately 16% of our 1999 net revenues and 22% of our 2000 revenues. There has been significant variation in the composition of our largest five customers over time and, as a result, we have been less dependent on any particular customer over time. We package and test for our customers a wide range of products with end use applications in the personal computers, consumer, industrial and automotive, and communications sectors.

The following table sets forth the names, in alphabetical order, of our five largest customers for each of 1998, 1999 and 2000:

<u>1998</u>	<u>1999</u>	<u>2000</u>
ATI Technologies Inc.	ATI Technologies Inc.	LSI Logic Corporation
Motorola, Inc.	LSI Logic Corporation	Motorola, Inc.
VIA Technologies, Inc.	Motorola, Inc.	On Semiconductor Corp.
Winbond Electronics	Silicon Integrated Systems Corp.	ST Microelectronics Pte Ltd.
3Dfx	VIA Technologies, Inc.	VIA Technologies, Inc.

The following table sets forth our 2000 revenues categorized by the principal end use applications of the products which we packaged and tested, as a percentage of our net revenues in 2000.

	<u>Year Ended</u> <u>December 31, 2000</u> <u>(percentage of net revenues)</u>
End Use Applications:	
Communications	36.6%
Consumer Industrial/Automotive	29.6
Personal Computers	30.4
Other	3.4
Total	<u>100.0%</u>

Many of our customers are leaders in their respective end use markets. For example, we provide Motorola, an industry leader in automotive and wireless communications semiconductor products, with most of its outsourced packaging and testing requirements. The following table sets forth our largest customers, categorized by the principal end use applications of the products which we package and test for them.

<u>Communications</u>	<u>Consumer/Industrial/ Automotive</u>	<u>Personal Computers</u>
Advanced Micro Devices, Inc.	Altera Corporation	Advanced Micro Devices, Inc.
Conexant Systems, Inc.	Delphi Automotive Systems	ATI Technologies, Inc.
DSP Group	LSI Logic Corporation	Cirrus Logic International Ltd.
Motorola, Inc.	Motorola, Inc.	IBM
Philips Electronics NV	ST Microelectronics Pte Ltd.	S3 International Ltd.
Qualcomm Incorporated	ESS Technology, Inc.	Silicon Integrated Systems Corp.
ST Microelectronics Pte Ltd.		VIA Technologies, Inc.
		Silicon Integrated Systems Corp.
		Winbond Electronics Corporation

We categorize our packaging and testing revenues based on the country in which the customer is headquartered. The following table sets forth, for the periods indicated, the percentage breakdown of our packaging and testing revenues, categorized by geographic regions.

	<u>Year Ended December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
North America	59.4	57.2	65.1
Taiwan	30.4	28.9	24.7
Other Asia	7.2	11.3	6.5
Europe	3.0	2.6	3.7
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

In 2000, approximately 74% of the testing revenues of ASE Test Taiwan and 67% of the testing revenues of ASE Test Malaysia were accounted for by the testing of semiconductors packaged at our packaging facilities in Kaohsiung and Malaysia, respectively. The balance represented testing revenues from customers who delivered packaged semiconductors directly to ASE Test Taiwan or ASE Test Malaysia for testing. In 2000, approximately 29% of our packaging revenues in Kaohsiung and 80% of our packaging revenues in Malaysia were accounted for by the packaging of semiconductors which were subsequently tested at ASE Test Taiwan and ASE Test Malaysia, respectively. We expect that more customers of our packaging facilities in Kaohsiung and Malaysia will begin to contract for our packaging and testing services on a turnkey basis.

Qualification and Correlation by Customers

Customers generally require that our facilities undergo a stringent “qualification” process during which the customer evaluates our operations and production processes, including engineering, delivery control and testing capabilities. The qualification process typically takes up to eight weeks, but can take longer depending on the requirements of the customer. In the case of our testing operations, after we have been qualified by a customer and before the customer delivers semiconductors to us for testing in volume, a process known as “correlation” is undertaken. During the correlation process, the customer provides us with sample semiconductors to be tested and either provides us with the test program or requests that we develop a conversion program. In some cases, the customer also provides us with a data log of results of any testing of the semiconductor which the customer may have conducted previously. The correlation process typically takes up to two weeks, but can take longer depending on the requirements of the customer.

Pricing

We price our packaging services primarily on a cost-plus basis and, to a lesser extent, with reference to market prices. Prices are confirmed at the time firm orders are received from customers, which is typically four to eight weeks before delivery.

We price our testing services primarily on the basis of the amount of time, measured in CPU seconds, taken by the automated testing equipment to execute the test programs specific to the products being tested as well as the cost of the equipment.

Raw Materials and Suppliers

Packaging

The principal raw materials used in our packaging processes are interconnect materials such as leadframes and substrates, gold wire and molding compound. Interconnect materials, such as leadframes and substrates, gold wire and molding compound represented approximately 58.1%, 19.2% and 10.1%, respectively, of our total cost of packaging materials in 2000.

The silicon die, which is the functional unit of the semiconductor to be packaged, is supplied in the form of silicon wafers. Each silicon wafer contains a number of identical dies. We generally receive the wafers from the customer for which the semiconductor is being packaged. Consequently, we generally do not incur inventory costs relating to the silicon wafers used in our packaging process.

We do not maintain large inventories of leadframes, substrates, gold wire or molding compound, but generally maintain sufficient stock of each principal raw material for approximately one month's production based on blanket orders and rolling forecasts of near-term requirements received from customers. In addition, several of our principal suppliers dedicate portions of their inventories, typically in amounts equal to the average monthly amounts supplied to us, as reserves to meet our production requirements. However, shortages in the supply of materials experienced by the semiconductor industry have in the past resulted in occasional price adjustments and delivery delays. For example, in 1997 and 1998, the industry experienced a shortage in the supply of advanced substrates used in BGA packages, which, at the time, was available from a limited number of suppliers located primarily in Japan. In these instances, we generally negotiate an extension of the delivery date from our customers.

We believe that interconnect technology will play an increasingly important role in semiconductor packaging as interconnect materials such as leadframes and substrates account for a growing portion of the cost of a semiconductor package. In anticipation of this trend, we established ASE Material in December 1997 for the purpose of developing, producing and selling leadframes and advanced substrates. In 2000, ASE Material supplied interconnect materials that accounted for approximately 12.1% of our consolidated raw material costs. Substantially all of these materials were leadframes. We expect that by the end of 2000, ASE Material will supply approximately a third of the substrate requirements at our packaging facilities in Kaohsiung. We expect to continue making investments in ASE Material in order to further develop our in-house interconnect technology.

Testing

Apart from packaged semiconductors, no other raw materials are needed for the functional and burn-in testing of semiconductors. For the majority of our testing equipment, we often base our purchases on prior discussions with our customers about their forecast requirements. The balance consists of testing equipment on consignment from customers and which are dedicated exclusively to the testing of these customers' specific products.

Equipment

Packaging

The most important equipment used in the semiconductor packaging process is the wire bonder. The number of wire bonders at a given facility is commonly used as a measure of the packaging capacity of the facility. The wire bonders connect the input/output terminals on the silicon die using extremely fine gold wire to leads on leadframes or substrates. Typically, wire bonders may be used, with minor modifications, for the packaging of different products. We purchase wire bonders principally from Kulicke & Soffa Industries Inc. As of December 31, 2000, we operated an aggregate of 3,973 wire bonders, 20 of which were consigned by customers. In addition to wire bonders, we maintain

a variety of other types of packaging equipment, such as wafer grind, wafer mount, wafer saw, die bonders, automated molding machines, laser markers, solder plat, pad printers, dejunkers, trimmers, formers, substrate saw and scanners.

Testing

Testing equipment is the most important and most capital intensive component of the testing process. We generally seek to purchase testers from different suppliers with similar functionality and the ability to test a variety of different semiconductors. We purchase testing equipment from major international manufacturers, including Agilent Technology, Advantest Corporation, Credence Systems Corporation, Electroglas, Inc., Megatest Corporation, Schlumberger Technologies and Teradyne, Inc. Upon acquisition of new testing equipment, we install, configure, calibrate, perform burn-in diagnostic tests on and establish parameters for the testing equipment based on the anticipated requirements of existing and potential customers and considerations relating to market trends. As of December 31, 2000, we operated an aggregate of 1,029 testers, 139 of which were consigned by customers. In addition to testers, we maintain a variety of other types of testing equipment, such as automated handlers and probers (with special handlers for wafer probing), scanners, re-formers and personal computer workstations for use in software development. Each tester is attached to one or two handlers or probers, which transport individual dies to the tester for testing or probing.

In general, particular semiconductors can be tested on only a limited number of specially designed testers. As part of the qualification process, customers will specify the machines on which their semiconductors may be tested, and we often develop test program conversion tools that enable us to test semiconductors on multiple equipment platforms. This portability between testers enables us to allocate semiconductors tested across our available test capabilities and thereby improve capacity utilization rates. In cases where a customer requires the testing of a semiconductor product that is not yet fully developed, the customer may provide personal computer workstations to us to test specific functions. In cases where a customer has specified testing equipment that was not widely applicable to other products which we test, we have required the customer to furnish the equipment on a consignment basis.

Material Patents, Licenses and Contracts

We and our subsidiaries hold various patents and licenses covering a broad range of packaging and testing technology and have various material contracts as described in “Item 10. Additional Information — Material Contracts” and attached in “Item 19. Exhibits”.

Material Effects of Government Regulations

All of our operations in the Nantze Export Processing Zone, including ASE Test Taiwan, ASE Material and our operations in Kaohsiung, are subject to regulation by the Export Processing Zone Administration, Ministry of Economic Affairs in relation to land use, company registration, factory establishment, labor safety inspections, issuance of import and export licenses, foreign exchange and international trade management. All of our operations in Taiwan, including ASE Test Taiwan, our operations in Kaohsiung, ASE Chung Li, ASE Material and ASE Technologies, are also subject to regulation and periodic monitoring by the ROC Environmental Protection Administration and the local environmental protection authorities. For ASE Test Taiwan, our operations in Kaohsiung, ASE Material and ASE Technologies, the local environmental protection authority is the Bureau of Environmental Protection, Kaohsiung City. For ASE Chung Li, the local environmental protection authority is the Bureau of Environmental Protection, Taoyuan County.

ASE Test Malaysia operates under a license obtained from the Malaysian Industrial Development Authority and issued by the Ministry of Trade and Industry Malaysia. Some of the terms of the license are:

- ASE Test Malaysia’s shares that are held by non-citizens of Malaysia cannot be sold without the prior written consent of the Ministry of International Trade and Industry.
- ASE Test Malaysia must recruit and train Malaysian citizens in a manner that reflects the multiracial composition of Malaysia for all levels of occupational classification.
- The prior approval of the Ministry of International Trade and Industry must be obtained before any changes, additions or reductions with respect to machinery or equipment are proposed, in cases where there will be a material effect on production volume or electricity consumption.

- ASE Test Malaysia must obtain the prior written consent of the Ministry of International Trade and Industry before executing any agreements on technology transfers with foreigners.
- ASE Test Malaysia must elect distributors of the “bumiputra” ethnicity, primarily ethnic Malays, to distribute at minimum 30% of its sales within Malaysia. The election of foreign companies as distributors requires the prior approval of the Ministry of International Trade and Industry.
- ASE Test Malaysia must export at minimum 85% of its production.

Quality Control

We believe that our advanced process technology and reputation for high quality and reliable services have been important factors in attracting and retaining leading international semiconductor companies as customers for our packaging and testing services. We have maintained an average packaging yield rate of 99.8% or greater in each of the last three years. We maintain a quality control staff at each of our facilities. Our quality control staff typically includes engineers, technicians and other employees who monitor packaging and testing processes in order to ensure high quality. Our quality assurance systems impose strict process controls, statistical in-line monitors, supplier control, data review and management, quality controls and corrective action systems. Our quality control employees staff quality control stations along production lines, monitor clean room environment and follow up on quality through outgoing product inspection and interaction with customer service staff. We have established quality control systems which are designed to ensure high quality service to customers, high product and testing reliability and high production yields at our facilities. In addition, our packaging and testing facilities have been qualified by all of our major customers after satisfying stringent quality standards prescribed by these customers.

Our packaging and testing operations are undertaken in clean rooms where air purity, temperature and humidity are controlled. To ensure stability and integrity of our operations, we maintain clean rooms at our facilities that meet U.S. Federal 209E class 1,000, 10,000 and 100,000 standards. All of our facilities have been certified as meeting the ISO 9002 quality standards by the International Standards Organization. Our facilities in Taiwan, Korea and Malaysia have also been certified as meeting the Quality System 9000 or QS-9000 quality standards. The ISO 9002 certification is required by many countries in connection with sales of industrial products in these countries. The QS-9000 quality standards provide for continuous improvement with an emphasis on the prevention of defects and reduction of variation and waste in the supply chain. Like the ISO 9002 certification, the QS-9000 certification is required by some semiconductor manufacturers as a threshold indicating a company’s quality control standards. In addition, we have received various vendor awards from our customers for the quality of our products and services.

Competition

We compete in the highly competitive independent semiconductor packaging and testing markets. We face competition from a number of sources, including other independent semiconductor packaging and testing companies, especially those that also offer turnkey packaging and testing services. More importantly, we compete for the business of integrated device manufacturers with in-house packaging and testing capabilities and fabless semiconductor design companies with their own in-house testing capabilities. Some of these integrated device manufacturers have commenced, or may commence, in-house packaging and testing operations in Asia. Furthermore, several independent packaging companies in Asia may expand their packaging capacities and enhance their testing capabilities.

Integrated device manufacturers that use our services continuously evaluate our performance against their own in-house packaging and testing capabilities. These integrated device manufacturers may have access to more advanced technologies, and greater financial and other resources than we do. We believe, however, that we can offer greater efficiency and lower costs while maintaining equivalent or higher quality for several reasons. First, we tend to have lower unit costs because our equipment generally has a higher utilization rate as compared to that of the in-house testing operations of integrated device manufacturers. Second, we tend to offer a wider range of products in terms of complexity and technology as compared to the in-house testing operations of integrated device manufacturers, since integrated device manufacturers are less able to utilize individual testers for long periods of time following the migration of product technology.

Environmental Matters

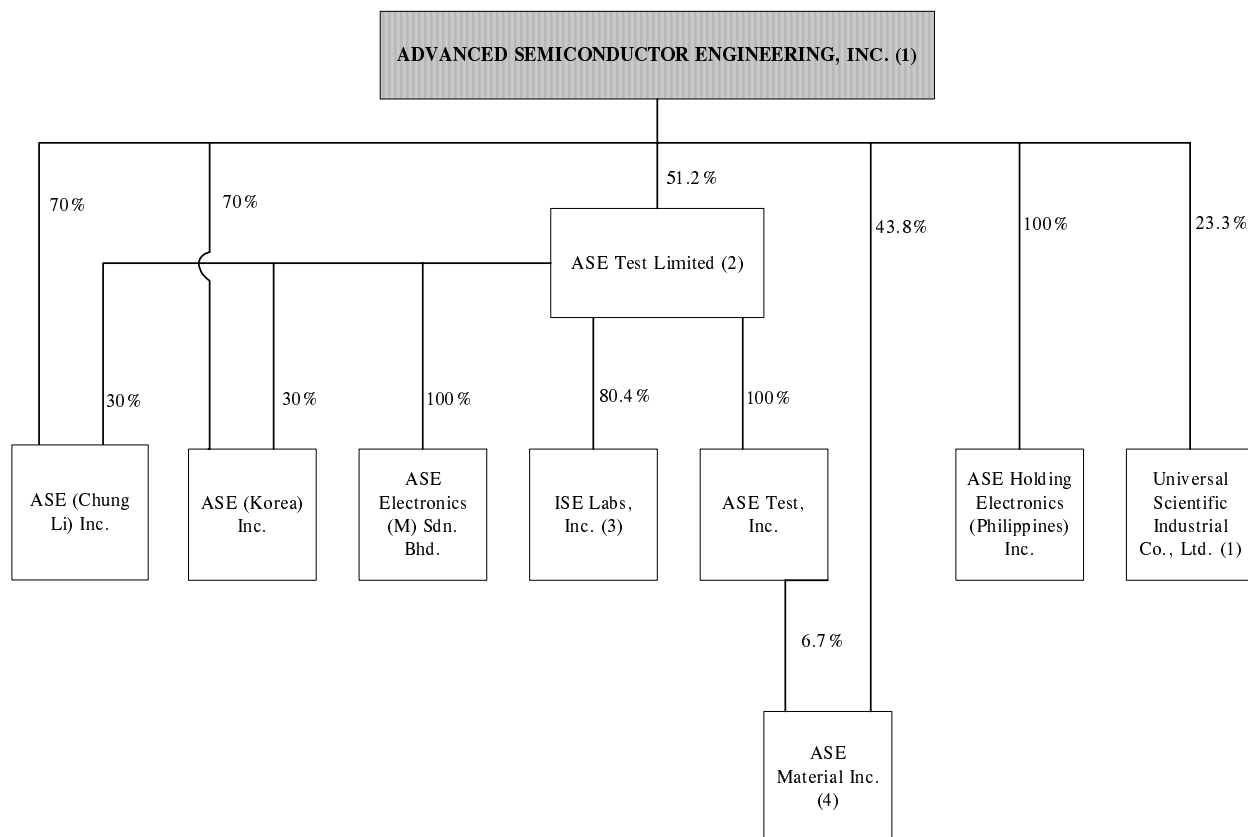
The semiconductor packaging process generates gaseous chemical wastes, principally at the stage at which the copper leads protruding from the plastic or ceramic casings of the semiconductor, commonly referred to as moldings, are plated with tin or lead to improve their electrical conductivity. Liquid waste is produced at the stage where silicon wafers are diced into chips with the aid of diamond saws and cooled with running water. In addition, excess materials on leads and moldings are removed from packaged semiconductors in the trimming and de-junking processes, respectively. We have installed various types of anti-pollution equipment for the treatment of liquid and gaseous chemical waste generated at all of our semiconductor packaging facilities. We believe that we have adopted adequate anti-pollution measures for the effective maintenance of environmental protection standards that are consistent with the semiconductor industry practice in the countries in which our facilities are located. In addition, we believe we are in compliance in all material respects with present environmental laws and regulations applicable to our operations and facilities.

Insurance

We have insurance policies covering losses due to fire. These insurance policies cover the buildings, machinery and equipment at our major production facilities. We do not have business interruption insurance, except in connection with fire. Significant damage to any of our production facilities, whether as a result of fire or other causes, would have a material adverse effect on our results of operations. We are not insured against the loss of key personnel.

ORGANIZATIONAL STRUCTURE

The following chart illustrates our corporate structure and effective ownership interest in each of our principal operating subsidiaries and affiliates.



- (1) The common shares of ASE Inc. and Universal Scientific are listed on the Taiwan Stock Exchange.
- (2) The ordinary shares of ASE Test are quoted for trading on the Nasdaq National Market under the symbol “ASTSF”.
- (3) The remaining shares of ISE Labs are owned primarily by the founders and employees of ISE Labs or its predecessors.
- (4) The remaining shares of ASE Materials are owned by management and employees of ASE Inc. and its affiliates.

PROPERTIES

We operate a number of packaging and testing facilities in Asia and the United States. Our facilities provide varying types or levels of services with respect to different end-product focus, customers, technologies and geographic locations. Our facilities range from our large-scale turnkey facilities in Taiwan and Malaysia to our specialized Korea facility dedicated to wireless communications and automotive end-products. With our diverse facilities we are able to tailor our packaging and testing solutions closely to our customers’ needs. The following table sets forth the location, commencement of operation, primary use, approximate floor space as of December 31, 2000, number of testers and bonders we operated as of December 31, 2000, and net revenues recorded in 2000 of our packaging and testing facilities.

Facility	Location	Commencement of Operation	Primary Use	Approximate Floor Space (in sq. ft.)	Testers	Bonders	Net Revenues (in US\$ millions)
							Year Ended December 31, 2000
ASE's facility in Kaohsiung	Kaohsiung, Taiwan	March 1984	Our primary packaging facility. Offers complete semiconductor manufacturing solutions in conjunction with ASE Test Taiwan and foundries located in Taiwan, such as TSMC. Focuses primarily on advanced BGA and QFP packages for integrated device manufacturers, fabless design companies and communications systems companies.	900,000	0	2,634	US\$820
ASE Test Taiwan	Kaohsiung, Taiwan	December 1987	Our primary testing facility. Offers complete semiconductor solutions in conjunction with ASE's facility in Kaohsiung and foundries located in Taiwan, such as TSMC. Focuses primarily on advanced logic and mixed signal testing for integrated device manufacturers, fabless design companies and communications systems companies.	400,000	272	0	165
ASE Test Malaysia	Penang, Malaysia	February 1991	An integrated packaging and testing facility which focuses primarily on the requirements of integrated device manufacturers and communications systems companies.	600,000	186	411	167
ASE Chung Li	Chung Li, Taiwan	April 1985(1)	An integrated packaging and testing facility which specializes in semiconductors for communications applications, particularly those incorporating the Motorola-proprietary Map BGA technology.	300,000	224	691	244
ASE Korea	Paju, Korea	March 1967(2)	An integrated packaging and testing facility which specializes in semiconductors for radio frequency, sensor and automotive applications.	100,000	126	105	117

Facility	Location	Commencement of Operation	Primary Use	Approximate Floor Space (in sq. ft.)	Testers	Bonders	Net Revenues (in US\$ millions)
							Year Ended December 31, 2000
ISE Labs	San Jose, California Fremont, California Santa Clara, California Hong Kong Singapore	November 1983(3)	Front-end engineering and final testing facilities located in northern California in close proximity to several of the world's largest fabless design companies. Testing facilities located in close proximity to integrated device manufacturers and fabless companies in Hong Kong and Southeast Asia.	200,000	187	0	108
ASE Philippines	Cavite, Philippines	November 1995	Focuses primarily on the packaging of commodity semiconductor products for integrated device manufacturers in the Philippines.	50,000	24	132	16
Total				2,550,000	1,019	3,973	1,637

(1) We acquired a 70.0% interest in ASE Chung Li and ASE Test acquired the remaining 30.0% interest in July 1999.

(2) We acquired a 70.0% interest in ASE Korea and ASE Test acquired the remaining 30.0% interest in July 1999.

(3) We acquired a 70.0% interest in ISE Labs in May 1999, which was subsequently increased to 80.4% following ASE Test's purchase of additional shares of ISE Labs in 2000.

Item 5. Operating and Financial Review and Prospects.

OPERATING RESULTS AND TREND INFORMATION

The following discussion of our business, financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements which are included elsewhere in this annual report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, such as those set forth under “Item 3. Key Information — Risk Factors” and elsewhere in this annual report.

Overview

We offer a broad range of semiconductor packaging and testing services. In addition to offering each service separately, we also offer turnkey services, which is the integrated packaging, testing and direct shipment of semiconductors to end users designated by our customers. Our net revenues have increased significantly from NT\$20,762.4 million in 1998 to NT\$50,893.4 million (US\$1,534.3 million) in 2000. After eliminating the results of the operations we acquired in 1999 for comparative purposes, our net revenues were NT\$36,325.9 million (US\$1,095.1 million) in 2000. Our revenue growth is increasingly diversified across a broad range of end user applications and clients. We have experienced growth in communications and consumer-related sectors while maintaining our strong market position in personal computer-related sectors. Our volume growth is increasingly concentrated in the packaging of higher priced package types and the testing of more complex semiconductor devices.

We price our services based primarily on a cost-plus calculation of the costs involved in providing these services, and with reference to market prices. The majority of our prices and revenues are denominated in U.S. Dollars. However, as more than half of our costs, including all labor and overhead costs, are denominated in NT Dollars, we consider the NT Dollar to be our functional currency. Furthermore, the majority of our financing costs are denominated in NT Dollars. The average realized selling price for packaging a semiconductor device is higher than the average realized selling price for the final testing of the same device. Over the last three years, our testing revenues have grown faster than our packaging revenues. In 1998, 1999 and 2000, our packaging revenues accounted for 81.2%, 75.2% and 74.7%, while testing revenues accounted for 15.1%, 23.9% and 25.1%, respectively, of our net revenues. After eliminating the results of the operations we acquired in 1999 for comparative purposes, testing revenues as a percentage of net revenues in 1999 and 2000, at 16.1% and 17.6%, respectively, still show an increasing trend. We expect this trend to continue as industry trends suggest a higher growth rate for testing compared to packaging services. The portion of the semiconductor testing market currently accounted for by independent testing service providers is smaller than that for packaging, which we believe will facilitate outsourced testing to grow at a faster rate than packaging. In addition, the high capital expenditures needed for increasingly complex testing equipment, as compared to less expensive packaging equipment, is leading to further outsourcing of testing services by integrated device manufacturers. We also expect to provide increasingly more turnkey services to our clients.

Our results of operations have been affected by a number of factors, including the proportionate contribution of packaging and testing to our net revenues, our capacity utilization rates and the costs of raw materials. Over the last three years, our net revenues have been affected by the volume of units packaged and tested, the selling prices for these units, and currency fluctuations. In 1999, our results of operations were affected by our acquisition in May 1999 of 70% of the outstanding shares of ISE Labs, our acquisitions in July 1999 of ASE Chung Li and ASE Korea and our purchase from February through July 1999, in the open market, of a controlling 22.6% stake in Universal Scientific. Our interest in ISE Labs was subsequently increased to 80.4% following ASE Test’s purchase of additional shares of ISE Labs for an aggregate purchase price of \$70.9 million in 2000. In addition, we subsequently increased our ownership interest in Universal Scientific to 23.3% through the purchase of additional shares in the open market in July and August of 2000.

Pricing and Revenue Mix

The semiconductor industry is characterized by a general trend towards declining prices for products and services of a given technology over time. During periods of intense competition and adverse conditions in the semiconductor industry, the pace of this decline in prices of our services may be more rapid than that experienced in other years.

During such periods, the selling prices in U.S. Dollar terms of our packaging and testing services experience a sharp decline due to intense price competition from other independent packaging and testing companies that attempt to maintain capacity utilization levels in the face of reduced demand.

Declines in selling prices have been partially offset over the last three years by a change in our revenue mix. In particular, we have been packaging more higher-priced package types, such as ball grid array, also called BGA, and advanced thin quad flat packages, also called TQFPs, and testing more complex semiconductor devices. We will continue to develop and offer new technology in packaging and testing services, as well as improve production efficiencies for older technology, in order to mitigate the effects of declining prices on our profitability.

High Fixed Costs

Our operations are capital intensive and are characterized by relatively high fixed costs. Our primary fixed costs are for packaging and testing equipment. Increases or decreases in capacity utilization rates can have a significant effect on gross profit margins, as the unit cost of packaging and testing services generally decreases as fixed charges, such as equipment depreciation expense, are allocated over a larger number of units. Depreciation is the principal component of our cost of testing revenues. Testers typically cost between US\$2.0 million and US\$3.0 million each, while wire bonders used in packaging typically cost approximately US\$100,000 each. In 1998, 1999 and 2000, our depreciation expense as a percentage of net revenues was 14.9%, 16.3% and 15.7%, respectively. The rise in depreciation expense partially reflects the increased contribution of testing to net revenues, as well as an increase in the cost of packaging and testing equipment. We begin depreciating our equipment when it is placed into service. There may sometimes be a time lag between when our equipment is placed into service and when it achieves high levels of utilization. In periods of depressed industry conditions, we may experience lower than expected demand from customers and a sharp decline in selling prices, resulting in an increase in depreciation expense relative to sales. With the improvement in industry conditions at the end of 1998, utilization levels improved, along with a recovery in profitability. Utilization levels remained high through 1999 and 2000.

Raw Material Costs

Substantially all of our raw material costs are accounted for by packaging, as testing requires minimal materials. In 1998, 1999 and 2000, raw material cost as a percentage of our net revenues was 34.9%, 30.0% and 28.7%, respectively. Raw material cost as a proportion of net revenues has been decreasing because of the higher contribution of testing to net revenues and, in 1999 and 2000, a decrease in raw material prices. However, we expect raw materials to become an increasingly important component of the cost of our packaging sales and we plan to continue our development and production of interconnect material through ASE Material in order to help ensure an adequate supply of raw materials at competitive prices and reduce production time.

Goodwill Amortization

Our operating and non-operating income in recent years have been affected by goodwill amortization charges in connection with acquisitions, the restructuring of our investment holdings and other share repurchases. Under generally accepted accounting principles in the ROC, additional purchases of shares of consolidated subsidiaries (majority owned) or of companies accounted for using the equity method (less than majority but greater than 20% owned) will generate goodwill in an amount equal to the difference between the purchase price and the book value per share of those shares. The goodwill generated is amortized over ten years. Goodwill generated on the purchases of shares of consolidated subsidiaries are recognized under general administrative and selling expense. Goodwill generated on the purchases of shares of companies which are less than majority but greater than 20% owned, and therefore accounted for using the equity method, are recognized as a debit under investment income. In addition to the acquisitions of ASE Korea and ISE Labs, other transactions which created significant goodwill charges were the open-market purchases of 22.6% of Universal Scientific shares in 1999, as well as the open-market purchases of ASE Test shares by a wholly-owned subsidiary as part of a share repurchase program in the period from December 1997 through March 1998. No goodwill was recognized in connection with the acquisition of ASE Chung Li, which was structured as an asset purchase, due to the appreciation of the fixed assets purchased.

Consolidation of ISE Labs, ASE Chung Li and ASE Korea

Under the method of consolidation used by us to consolidate the statements of income of ISE Labs, ASE Chung Li and ASE Korea for the year ended December 31, 1999: (1) ISE Labs' full-year 1999 net revenues, cost of revenues and operating expenses are included in the Consolidated Financial Statements, and the pre-acquisition income of ISE Labs for the year ended December 31, 1999 (from January 1 to May 4, 1999) is then subtracted from our net income for 1999; and (2) the net revenues, cost of revenues, operating expenses and net income of ASE Chung Li and ASE Korea are included in the Consolidated Financial Statements since the date of acquisition. Under the method of consolidation used by ASE Test to consolidate the statement of income of ISE Labs for the year ended December 31, 1999, ISE Labs' pre-acquisition net revenues, cost of revenues and operating expenses are not included in ASE Test's consolidated income statement. See Notes 2 and 28f of Notes to Consolidated Financial Statements.

Results of Operations

The following table sets forth, for the periods indicated, financial data from our consolidated statements of income, expressed as a percentage of net revenues.

	Year Ended December 31,		
	1998	1999	2000
	(percentage of net revenues)		
Net revenues	100.0%	100.0%	100.0%
Packaging	81.2	75.2	74.7
Testing	15.1	23.9	25.1
Other	3.7	0.9	0.2
Cost of revenues	<u>(74.5)</u>	<u>(73.5)</u>	<u>(69.9)</u>
Packaging	(63.5)	(57.6)	(55.0)
Testing	(7.9)	(14.4)	(14.7)
Other	(3.1)	(1.5)	(0.2)
Gross profit	25.5	26.5	30.1
Packaging	17.8	17.6	19.7
Testing	7.2	9.5	10.4
Other	0.5	(0.6)	—
Operating expenses	<u>(11.8)</u>	<u>(11.6)</u>	<u>(10.7)</u>
Operating income	13.7	14.9	19.4
Non-operating income (expenses)	<u>(4.1)</u>	<u>12.9</u>	<u>(2.9)</u>
Income before income tax and minority interest	9.6	27.8	16.5
Income tax benefit (expense)	<u>0.7</u>	<u>(1.4)</u>	<u>(2.1)</u>
Income before minority interest	10.3	26.4	14.4
Pre-acquisition interest	—	(0.2)	—
Minority interest in net income of subsidiary	<u>(2.6)</u>	<u>(2.3)</u>	<u>(2.9)</u>
Net income	<u>7.7%</u>	<u>23.9%</u>	<u>11.5%</u>

The following table sets forth, for the periods indicated, a breakdown of our total cost of revenues and operating expenses, expressed as a percentage of net revenues.

	Year Ended December 31,		
	1998	1999	2000
	(percentage of net revenues)		
Cost of revenues			
Raw materials	34.9%	30.0%	28.7%
Labor costs	12.5	13.0	12.9
Depreciation	14.9	16.3	15.7
Other	<u>12.2</u>	<u>14.4</u>	<u>12.6</u>

	Year Ended December 31,		
	1998	1999	2000
	(percentage of net revenues)		
Total cost of revenues	<u>74.5%</u>	<u>73.5%</u>	<u>69.9%</u>
Operating expenses			
Selling	3.6%	2.8%	2.0%
General and administrative(1)	4.4	5.0	5.1
Goodwill amortization(2)	1.6	1.6	1.1
Research and development	<u>2.2</u>	<u>2.2</u>	<u>2.5</u>
Total operating expenses	<u>11.8%</u>	<u>11.6%</u>	<u>10.7%</u>

(1) Excludes goodwill amortization.

(2) Included in general and administrative expense in the Consolidated Financial Statements.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net Revenues. Net revenues increased by 56.1% to NT\$50,893.4 million (US\$1,534.3 million) in 2000 from NT\$32,609.6 million in 1999. Packaging revenues grew 55.1% to NT\$38,028.8 million (US\$1,146.5 million) in 2000 from NT\$24,523.0 million in 1999. Testing revenues increased 63.8% to NT\$12,768.4 million (US\$384.9 million) in 2000 from NT\$7,793.2 million in 1999. Increases in packaging and testing revenues resulted primarily from an increase in net revenues at our existing facilities, due to an upturn in the semiconductor industry which continued from 1999 into 2000, partially offset by an industry downturn commencing in the fourth quarter of 2000, as well as the effects of the acquisitions of ISE Labs, ASE Chung Li and ASE Korea in 1999. After eliminating the results of ISE Labs, ASE Chung Li and ASE Korea for comparative purposes, our net revenues for 2000 increased by 44.4% compared to 1999, reflecting a 45.2% increase in packaging revenues and a 59.4% increase in testing revenues. This increase was partially offset by a decrease in the average realized selling prices for packaging and testing services. The decrease in the average realized selling prices reflects the general trend in the semiconductor industry of declining prices for each input/output lead on a semiconductor device. This decrease was partially offset by a change in the revenue mix as our BGA packages, which typically command higher selling prices as a result of the higher number of leads per device, accounted for a greater portion of the packaging volume, and as we tested more complicated semiconductor devices.

Gross Profit. Gross profit increased by 77.2% to NT\$15,326.1 million (US\$462.0 million) in 2000 from NT\$8,650.0 million in 1999. Our gross margin improved to 30.1% in 2000 compared to 26.5% in 1999 primarily as a result of a higher revenue contribution from testing operations, which generally have higher gross margins than packaging operations, and decreases in raw material costs and depreciation as a percentage of net revenues. The improved gross margin was also attributable to decreases in factory supplies and other manufacturing overheads, partially offset by increases in equipment maintenance expenses and provisions for inventory obsolescence, all as percentages of net revenues. Raw material costs in 2000 were NT\$14,620.4 million, or 28.7% of net revenues compared to 30.0% in 1999. This decrease mainly resulted from a change in the revenue mix, as testing services, which incur almost no raw material costs, accounted for a greater portion of our net revenues, and a decrease in raw material prices. Depreciation expense for the year was NT\$8,127.6 million, compared with NT\$5,128.3 million in 1999. As a percentage of net revenues, depreciation expense decreased slightly to 15.7% in 2000 from 16.3% in 1999, primarily as a result of a higher machinery utilization rate in 2000 as compared to 1999. Our gross margin for packaging increased to 26.3% in 2000 from 23.5% in 1999 primarily due to decreases in direct and indirect labor costs, raw material costs and depreciation as percentages of packaging revenue. Our gross margin for testing increased to 41.5% in 2000 from 39.8% in 1999 primarily due to a decrease in repair and maintenance costs, partially offset by increases in depreciation and amortization as well as direct and indirect labor costs, all as percentages of testing revenue.

Operating Income. Operating income increased 103.7% to NT\$9,877.1 million (US\$297.8 million) in 2000 from NT\$4,848.6 million in 1999. Operating margin increased to 19.4% in 2000 from 14.9% in 1999, reflecting the higher gross margin and decreases in selling, general and administrative expenses, partially offset by an increase in research and development expenses, all as a percentage of net revenues. Selling, general and administrative expenses amounted to NT\$5,449.0 million (US\$164.3 million) in 2000, representing 10.7% of net revenues in 2000 compared to 11.6% in

1999. This decrease was primarily due to economies of scale realized from increased sales volumes. Research and development expenses in 2000 were NT\$1,262.5 million (US\$38.1 million), or 2.5% of net revenues compared to 2.2% in 1999. The increase primarily resulted from increases in the number of employees employed in research and development and in depreciation of testers and other equipment dedicated to research and development uses.

Net Non-Operating Income/Loss. We recorded a net non-operating loss of NT\$1,473.6 million (US\$44.4 million) in 2000 compared with net non-operating income of NT\$4,213.9 million in 1999. The difference primarily resulted from a one-time capital gain of NT\$5,544.1 million in 1999 in connection with the sale of ASE Test ordinary shares by our subsidiary J&R Holding Limited through a public offering of Taiwan Depositary Receipts and the sale of ASE Inc. common shares by our subsidiaries and affiliates in a private placement of GDSs. Most of the ASE Inc. common shares underlying the GDSs were acquired by our subsidiaries between March 1996 and April 1998 as part of a share purchase program instituted in support of ROC government policies. A small amount was realized from open market sales of ASE Test Taiwan Depositary Receipts by our subsidiaries and affiliates. Excluding this one-time capital gain, our non-operating loss increased 10.8% from NT\$1,330.2 million in 1999, primarily as a result of a net foreign exchange gain in 2000 compared to a net loss in 1999, partially offset by a net increase in interest expense. Non-operating income for 2000 was NT\$1,217.0 million (US\$36.7 million), which primarily consisted of interest revenues of NT\$554.2 million (US\$16.7 million), foreign exchange gains of NT\$302.7 million (US\$9.1 million) and gain on sales of investments of NT\$91.7 million (US\$2.8 million). We recorded a net foreign exchange gain in 2000 compared to a loss of NT\$538.4 million in 1999, reflecting the unrealized foreign exchange gains on assets that are denominated in foreign currency due to the year-end depreciation of the NT Dollar. Non-operating expenses for 2000 were NT\$2,690.6 million (US\$81.1 million), which primarily consisted of interest expenses of NT\$2,092.2 million (US\$63.1 million) and investment loss under equity method of NT\$237.2 million (US\$7.2 million). Interest expense increased 42.3% to NT\$2,092.2 million (US\$63.1 million) in 2000 from NT\$1,469.8 million in 1999, primarily as a result of increased interest expenses from convertible bonds due 2004 issued by ASE Test in June 1999 and other long-term debts, which were used to finance our acquisitions of our interests in Universal Scientific, ISE Labs, ASE Chung Li and ASE Korea.

Net Income. Net income for 2000 declined 25.1% to NT\$5,837.1 million (US\$176.0 million) from NT\$7,794.7 million in 1999. Excluding the one-time capital gains of NT\$5,544.1 million in 1999, net income increased 159.4% on a full-year basis. Adjusted net income increased in 2000 compared to 1999 primarily as a result of the foregoing factors, partially offset by an increase in our effective tax rate to 12.7% in 2000 compared to 5.1% in 1999. Our effective income tax rate was significantly lower in 1999 primarily as a result of substantial capital gain income in those years that was not subject to ROC corporate tax.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net Revenues. Our net revenues increased by 57.1% to NT\$32,609.6 million in 1999 from NT\$20,762.4 million in 1998, reflecting in part the effects of the acquisitions of ISE Labs in May 1999 and ASE Chung Li and ASE Korea in July 1999, as well as increases in net revenues at our existing facilities. For a discussion of the consolidation principles relating to our acquisitions of ISE Labs, ASE Chung Li and ASE Korea, see Note 2 of Notes to Consolidated Financial Statements. After eliminating the results of ISE Labs, ASE Chung Li and ASE Korea for comparative purposes, our net revenues for 1999 increased by 21.1% in 1999 compared to 1998, reflecting a 23.3% increase in packaging sales and a 29.7% increase in testing revenues. This increase was partially offset by a decrease in revenues attributable to our subsidiary that designs and assembles notebook computers, set-top boxes and liquid crystal display monitors, and assembles board and sub-systems, ASE Technologies Inc., due primarily to the continuing loss of one of its major customers in 1999. ASE Technologies intends to wind down its business upon approval by its shareholders in September 2001. See "Item 4. Information on the Company — Business Overview — Other Members of the ASE Group" for more information on ASE Technologies. In 1999, our adjusted packaging revenues accounted for 82.7% of our adjusted net revenues and our adjusted testing revenues accounted for 16.1% of our adjusted net revenues, compared to 81.2% and 15.1%, respectively, for 1998. The increase in our adjusted net revenues for 1999 compared to 1998 resulted primarily from an increase in packaging and testing volumes, which was partially offset by a decrease in the average realized selling prices for our packaging and testing services. The decrease in the average realized selling prices reflected the general trend in the semiconductor industry of declining prices for each input/output lead on a semiconductor device. This decrease was partially offset by a change in our revenue mix as our BGA packages, which typically command higher selling prices as a result of the higher number of leads per device, accounted for a greater portion of our packaging volume, and as we tested more complicated semiconductor devices.

Gross Profit. Our gross profit increased by 63.4% to NT\$8,650.0 million in 1999 from NT\$5,294.3 million in 1998, reflecting the effects of the acquisitions of ISE Labs, ASE Chung Li and ASE Korea, as well as increases in gross profit at our existing facilities. After eliminating the results of ISE Labs, ASE Chung Li and ASE Korea for comparative purposes, our gross profit increased by 28.2% in 1999 compared to 1998. Our adjusted gross margin increased to 27.0% compared to 25.5% for 1998 primarily as a result of decreases in raw material and labor costs, which were partially offset by increases in depreciation, factory supplies and other manufacturing overheads, as well as a decrease in provision for inventory obsolescence, all as a percentage of net revenues. Depreciation increased and raw material costs decreased as a percentage of net revenues primarily as a result of a change in our revenue mix, as testing services, which incur significant depreciation but almost no raw material costs, accounted for a greater portion of our net revenues, and a decrease in raw material prices. Cost of revenues also increased due to increases in factory supplies such as rinsing agents and manufacturing overhead and development costs associated with the ramp-up in BGA production capabilities. Our adjusted gross margin for packaging increased to 24.8% in 1999 from 21.9% in 1998 primarily due to decreases in direct and indirect labor and raw material costs as percentages of packaging revenue. Our gross margin for packaging in 1999 was 23.5%, compared with our adjusted gross margin for packaging of 24.8% for the same year, reflecting lower packaging margins at our facilities acquired in 1999 due to differences in product mix. Our adjusted gross margin for testing decreased to 45.2% from 47.4% in 1998 primarily due to increases in depreciation and amortization and other manufacturing costs, partially offset by a decrease in direct and indirect labor cost, all as percentages of testing revenue. Our gross margin for testing in 1999 was 39.8%, as compared to our adjusted gross margin for testing of 45.2% for the same year, reflecting lower testing margins at the facilities acquired in 1999 due to differences in the mix of testing services.

Operating Income. Our operating income increased by 70.7% to NT\$4,848.6 million in 1999 from NT\$2,840.9 million in 1998, reflecting in part the effects of the acquisitions of ISE Labs, ASE Chung Li and ASE Korea, as well as increases in operating income at our existing facilities. After eliminating the results of ISE Labs, ASE Chung Li and ASE Korea for comparative purposes, our operating income increased by 31.6% in 1999 compared to 1998. Our adjusted operating margin increased to 15.0% compared to 13.7% for 1998, reflecting the higher adjusted gross margin and decreases in selling expense, partially offset by increases in research and development expense and other expense, all as a percentage of net revenues. Selling expense as a percentage of net revenues decreased primarily as a result of economies of scale realized from increased sales volumes at our existing facilities. Amortization of goodwill expense increased in 1999 compared to 1998 in absolute terms primarily as a result of the acquisition of ISE Labs and ASE Korea in 1999, but remained relatively unchanged as a percentage of net revenues.

Net Non-Operating Income. In 1999, our non-operating income increased significantly primarily as a result of an increase in capital gains recognized. These capital gains amounted to NT\$5,544.2 million and were mostly generated by the sales of ASE Test ordinary shares by our subsidiary J&R Holding Limited through a public offering of Taiwan Depositary Receipts and the sale of ASE Inc. common shares by our subsidiaries and affiliates in a private placement of GDSs. Most of the common shares underlying the GDSs were acquired by our subsidiaries between March 1996 and April 1998 as part of a share purchase program instituted in support of ROC government policies. A small amount was realized from open market sales of ASE Test Taiwan Depositary Receipts by our subsidiaries and affiliates.

Net foreign exchange loss decreased in 1999 compared to 1998, reflecting the higher than usual losses incurred in 1998 attributable to Japanese yen-denominated liabilities created in the second half of 1998 to manage our foreign exchange exposure. Net interest expense increased in 1999 compared to 1998 primarily as a result of increased debt financing incurred for our acquisitions in 1999.

Amortization of goodwill expense in connection with the acquisition of shares of our affiliates increased in 1999 compared to 1998, primarily as a result of our purchase of 22.6% of the outstanding shares of Universal Scientific.

Net Income. Our net income for 1999 was NT\$7,794.7 million, or NT\$7,225.4 million after eliminating the results of ISE Labs, ASE Chung Li and ASE Korea, compared to NT\$1,604.0 million for 1998. Our adjusted net income increased in 1999 compared to 1998 primarily as a result of the foregoing factors, partially offset by an increase in our adjusted effective tax rate to 3.2% in 1999 compared to a benefit of 7.6% in 1998. Our net income for 1999, less capital gains recognized upon the sale of long-term investments, was NT\$2,250.5 million, compared to NT\$997.1 million for 1998.

Quarterly Net Revenues, Gross Profit and Gross Margin

The following table sets forth our unaudited consolidated net revenues, gross profit and gross margin for the quarterly periods indicated. You should read the following table in conjunction with the Consolidated Financial Statements and related notes included in this annual report. Our net revenues, gross profit and gross margin for any quarter are not necessarily indicative of the results for any future period. Our quarterly net revenues, gross profit and gross margin may fluctuate significantly.

	Quarter Ended							
	Jun. 30 1999	Sep. 30 1999	Dec. 31 1999	Mar. 31 2000	Jun. 30 2000	Sept. 30 2000	Dec. 31 2000	Mar. 31 2001
	unaudited (in millions)							
Consolidated Net Revenues:								
Packaging	NT\$ 4,580.6	NT\$ 7,190.0	NT\$ 8,390.1	NT\$ 8,378.4	NT\$ 9,347.1	NT\$ 10,458.9	NT\$ 9,844.4	NT\$ 8,142.4
Testing	1,432.0	2,182.7	2,837.8	2,776.2	3,013.3	3,440.1	3,538.8	3,105.5
Other	105.0	11.7	83.5	7.0	75.2	5.2	8.8	2.1
Total	<u>NT\$ 6,117.6</u>	<u>NT\$ 9,384.4</u>	<u>NT\$11,311.4</u>	<u>NT\$ 11,161.6</u>	<u>NT\$ 12,435.6</u>	<u>NT\$ 13,904.2</u>	<u>NT\$13,392.0</u>	<u>NT\$11,411.4</u>
Consolidated Gross Profit:								
Packaging	NT\$ 977.5	NT\$ 1,797.3	NT\$ 2,080.5	NT\$ 2,320.1	NT\$ 2,568.2	NT\$ 2,688.7	NT\$ 2,439.9	NT\$ 1,455.0
Testing	585.3	872.8	1,096.7	1,208.7	1,285.8	1,433.9	1,366.0	875.9
Other	(80.0)	(0.2)	(67.4)	(39.0)	(23.3)	(45.1)	122.2	51.8
Total	<u>NT\$ 1,482.8</u>	<u>NT\$ 2,669.9</u>	<u>NT\$ 3,109.8</u>	<u>NT\$ 3,489.8</u>	<u>NT\$ 3,830.7</u>	<u>NT\$ 4,077.5</u>	<u>NT\$ 3,928.1</u>	<u>NT\$ 2,382.7</u>
Consolidated Gross Margin:								
Packaging	21.3%	25.0%	24.8%	27.7%	27.5%	25.7%	24.8%	17.9%
Testing	40.9%	40.0%	38.6%	43.5%	42.7%	41.7%	38.6%	28.2%
Total	<u>24.2%</u>	<u>28.5%</u>	<u>27.5%</u>	<u>31.3%</u>	<u>30.8%</u>	<u>29.3%</u>	<u>29.3%</u>	<u>21.2%</u>

Our results of operations have been adversely affected by the global semiconductor industry downturn which commenced in the fourth quarter of 2000. To a lesser extent, our results of operations have also been affected by seasonality. Our first quarter net revenues have historically shown smaller sequential increases over the preceding fourth quarter, compared to other quarters of the year, primarily due to the combined effects of holidays in the United States, Taiwan and Malaysia. Moreover, the increase or decrease in net revenues of a particular quarter as compared with the immediately preceding quarter varies significantly. See “Item 3. Key Information — Risk Factors — Our operating results are subject to significant fluctuations, which could adversely affect the value of your investment”. Our net revenues increased significantly in the third and fourth quarters of 1999 compared to the second quarter of 1999. These increases in net revenues resulted in part from the revenues contributed by ASE Chung Li and ASE Korea which we acquired in July 1999 and in part as a result of increased volume and an upturn in the average realized selling prices for packaging and testing services resulting from an upturn in the semiconductor industry. Under ROC GAAP, the revenues contributed by ISE Labs, which we acquired on May 4, 1999, have been included in our consolidated net revenues as if we had acquired ISE Labs on January 1, 1999.

Taxation

Based on their respective statuses either as a company which is engaged in designated businesses in Taiwan or a “pioneer” company in Malaysia, the operating companies in the ASE Group were granted exemptions from ROC or Malaysia income taxes, as the case may be, generally for a period of four or five years, both at the initial stages of their operations and following subsequent capital increases with respect to income attributable to capital increases. These tax holidays resulted in tax savings for us of approximately NT\$508.8 million, NT\$779.4 million and NT\$700.7 million (US\$21.1 million) in 1998, 1999 and 2000, respectively. Our tax holiday under the ROC Statute for Upgrading of Industries expired at the end of 2000, but we may apply for another tax holiday for cash injections from shareholders, such as rights offerings, the proceeds of which are used to purchase eligible machinery and equipment. We conducted a rights offering in 2000, and plan to apply for a tax holiday for that rights offering. The ROC Ministry of Finance announced that commencing 2000, we may also apply for this tax holiday after the capitalization of retained earnings, that is, through the issuance of stock dividends. ASE Test Malaysia’s tax holiday in Malaysia expired on June 30, 1999 and ASE Test Malaysia has received approval to be a “pioneer high technology” company in Malaysia, which entitles us to a five-year tax holiday substantially similar to our previous tax holiday. We expect this tax holiday to commence retroactively on July 1, 1999. See Note 17 of Notes to Consolidated Financial Statements.

With facilities located in special export zones such as the Nantze Export Processing Zone in Taiwan and the Bayan Lepas Free Trade Zone in Malaysia, we enjoy exemptions from various import duties and commodity taxes on imported machinery, equipment, raw materials and components. Goods produced by companies located in these zones and exported or sold to others within the zones are exempt from otherwise applicable commodity or business taxes.

Our effective income tax rate was 0%, 5.1% and 12.7% in 1998, 1999 and 2000, respectively. The effective tax rate was significantly lower in 1998 and 1999 primarily as a result of substantial capital gains income in those years that was not subject to ROC corporate tax.

Exchange Rate Fluctuations

Currently, the majority of our revenues from packaging and testing services are denominated in U.S. Dollars, with a portion denominated in NT Dollars, while our costs of revenues and operating expenses associated with packaging and testing services are incurred in several currencies, including U.S. Dollars, NT Dollars, Malaysian ringgit, Korean won, Philippine pesos, Singapore dollars and Hong Kong dollars. As a result, the depreciation of the NT Dollar against the U.S. Dollar tends to increase our net revenues in NT Dollar terms. In 1998, 1999 and 2000, the average exchange rate of the NT Dollar to the U.S. Dollar was 33.50, 32.28 and 31.37, respectively. In addition, a substantial portion of our capital expenditures, primarily for the purchase of packaging and testing equipment, has been, and is expected to continue to be, denominated primarily in U.S. Dollars with the remainder in Japanese yen. Fluctuations in exchange rates, primarily among the U.S. Dollar, the NT Dollar and the Japanese yen, will affect our costs and operating margins and could result in exchange losses and increased costs in NT Dollar and other local currency terms. Despite hedging and mitigating techniques implemented by us, fluctuations in exchange rates have affected, and may continue to affect, our financial condition and results of operations. We recorded foreign exchange losses of NT\$538.4 million in 1999 primarily as a result of losses incurred in 1998 attributable to Japanese yen-denominated liabilities created in the second half of 1998 to manage our foreign exchange exposure. We recorded foreign exchange gains of NT\$302.7 million (US\$9.1 million) in 2000, due primarily to unrealized foreign exchange gains on foreign currency-denominated assets due to the year-end depreciation of the NT Dollar relative to the U.S. Dollar.

U.S.GAAP Reconciliation

Our financial statements are prepared in accordance with generally accepted accounting principles in the ROC, or ROC GAAP, which differ in material respects from generally accepted accounting principles in the United States, or U.S.GAAP. The following table sets forth a comparison of our net income and shareholders' equity in accordance with ROC GAAP and U.S.GAAP for the periods indicated:

	Year Ended December 31,					
	1999		2000		2000	
	(in millions)					
Net income in accordance with:						
ROC GAAP	NT\$	7,794.7	NT\$	5,837.1	US\$	176.0
U.S.GAAP	NT\$	4,641.3	NT\$	3,930.0	US\$	118.5
	As of December 31,					
	1999		2000		2000	
	(in millions)					
Shareholders' equity in accordance with:						
ROC GAAP	NT\$	30,057.0	NT\$	43,669.2	US\$	1,316.5
U.S.GAAP	NT\$	26,569.7	NT\$	40,729.1	US\$	1,227.9

Note 27 of Notes to Consolidated Financial Statements provides a description of the principal differences between ROC GAAP and U.S.GAAP as they relate to us, and a reconciliation to U.S.GAAP of select items, including net income and shareholders' equity. Differences between ROC GAAP and U.S.GAAP which have a material effect on our net income as reported under ROC GAAP relate to gain from the sale of treasury stock and compensation expense pertaining to bonuses to employees, directors and supervisors.

In 1999, three of our consolidated subsidiaries sold an aggregate of 32.4 million ASE Inc. common shares in open market sales. Under U.S.GAAP, when a subsidiary holds its parent's common shares as investments, the common shares are treated as treasury stock and is presented in the consolidated balance sheet as a deduction to shareholders' equity. The capital gain or loss from the sale of treasury stock is added to or deducted from the balance of treasury stock. Under ROC GAAP, this treatment is not required and, as a result, the investment in ASE Inc. common shares by its subsidiaries is treated as long-term investment in the balance sheets and the capital gain or loss from the sale of treasury stock is recognized as income or loss. As a result of these transactions, we recognized under ROC GAAP capital gains on sale of investments of NT\$1,388.5 million in 1999. Under U.S.GAAP, those investments in ASE Inc.'s common shares should be classified as treasury stock and the capital gain is not recognized as income but is deducted from treasury stock under capital surplus.

We paid employee bonuses in 1999 and 2000 in the form of common shares, and expect to pay all or a portion of employee bonuses in future periods in the form of common shares. The number of common shares distributed as part of employee bonuses is obtained by dividing the total nominal NT Dollar amount of the bonus to be paid in the form of common shares by the par value of the common shares, or NT\$10 per share, rather than their market value, which has generally been substantially higher than par value. Under ROC GAAP, the distribution of employee bonus shares is treated as an allocation from retained earnings, and we are not required to, and do not, charge the value of the employee bonus shares to income. Under U.S.GAAP, however, we would be required to charge the market value of the employee bonus shares to employee compensation expense in the period to which they relate, correspondingly reduce our net income and income per common share calculated in accordance with U.S.GAAP.

The amount and the form of the payment of this compensation is subject to approval by our board of directors and is only determinable at the first board meeting which is held after the issuance of our financial statements for the relevant year. Under U.S.GAAP, the compensation expense is initially accrued at the nominal NT Dollar amount of the aggregate bonus in the period to which it relates. For U.S.GAAP purposes, the difference between the amount initially accrued and the market value of the common shares issued as payment of all or any part of the bonus is recorded as employee compensation expense in the period in which board approval is obtained, which normally occurs during the second quarter of each year. See Note 27 of Notes to Consolidated Financial Statements. Net income and income per common share amounts calculated in accordance with ROC GAAP and U.S.GAAP differ accordingly. The amount of the adjustment for market price for the purpose of U.S.GAAP reconciliation for the special stock bonus paid in 2000 was allocated over a period of three years commencing in the second quarter of the year following the year in which the bonus was paid, reflecting the additional length of service which we require from employees who received the special stock bonus.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of cash are cash generated from operations and debt financing and, in certain years, proceeds from the sale of investments. Our primary uses of cash are to fund capital expenditures and working capital requirements related to our operations and expansion. Our cash and cash equivalents are held primarily in U.S. Dollars.

Cash generated from our operations was NT\$17,643.2 million (US\$531.9 million) for 2000, as compared to NT\$7,017.2 million for 1999. The increase in cash generated from our operations in 2000 reflected an increase in recurring net income (excluding extraordinary capital gains), partially offset by an increase in accounts receivable. The increase in recurring net income (excluding extraordinary capital gains) for 2000 compared to 1999 resulted from an increase in the revenues and improvements in the operating margins of ASE Inc. and the operations of ASE Chung Li and ASE Korea (which were acquired in July 1999). Our cash generated from operations was NT\$5,194.2 million in 1998. The increase in our cash generated from operations in 1999 reflected an increase in recurring net income (excluding ordinary capital gain), accounts payable and accrued expenses, partially offset by an increase in accounts receivable. Our accounts receivable, accounts payable and accrued expense increased in 1999 compared to 1998 primarily as a result of the effect from our acquisition of ISE Labs, ASE Chung Li and ASE Korea, as well as from revenue growth. Our accounts receivable collection improved to an average of 60 days in 2000 from an average of 62 days in 1999, while our average days inventory improved to 29 days in 2000 from 32 days in 1999. Our accounts receivable collection improved to 62 days in 1999 from 68 days in 1998, while our average days inventory improved to an average of 32 days in 1999 from an average of 45 days in 1998.

As of December 31, 2000, we had positive working capital in the amount of NT\$4,914.3 million (US\$148.2 million) as a result of an increase in cash of NT\$2,357.4 million (US\$71.1 million) from NT\$11,809.1 million (US\$356.0 million) to NT\$14,166.5 million (US\$427.1 million) and an increase in short-term borrowings. Our working capital is supplemented by short-term borrowings. The cash and short-term borrowings were used to fund capital expenditures including the acquisition of additional packaging and testing equipment and the expansion of existing facilities and additional investments. We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from our September 2000 ADS offering will be sufficient to meet our anticipated needs at least through the end of 2001, including for working capital and capital expenditure requirements.

In connection with the expansion of our production capacity, we have incurred capital expenditures of NT\$7,447.7 million, NT\$11,097.4 million and NT\$31,463.5 million (US\$948.6 million) in 1998, 1999 and 2000, respectively. All of our capital expenditures are and have been in connection with the expansion of our production capacity.

As of December 31, 2000, we had total short-term lines of credit of NT\$23,933.1 million (US\$721.5 million), of which NT\$9,684.4 million (US\$92.0 million) had been drawn. The interest rate for borrowings under these facilities ranged from 0.975% to 10% during 2000. See Note 11 of Notes to Consolidated Financial Statements. The majority of our short-term borrowings are denominated in NT Dollars, with the remainder denominated principally in U.S. Dollars.

As of December 31, 2000, our outstanding long-term bank loans, less current portion, were NT\$10,329.9 million (US\$311.4 million). Certain of our bank loans are secured by machinery and equipment. Our long-term bank loans bear interest at floating rates, which in 2000 ranged from 1.1% to 10.5%. For information regarding our long-term bank loans, including the maturity profile, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk — Foreign Currency Exchange Rate Risk". See Note 14 of Notes to Consolidated Financial Statements. Most of our long-term bank loans are denominated in NT Dollars. In addition, as of December 31, 2000, we had outstanding convertible bonds denominated in U.S. Dollars in an aggregate amount of NT\$12,229.1 million (US\$368.7 million), including amounts outstanding under bonds guaranteed by ASE Test. See Note 13 of Notes to Consolidated Financial Statements.

As of May 2001, we had budgeted total capital expenditures of US\$200 million for 2001, all for the expansion of production capacity. As of December 31, 2000, we had long-term loan repayment obligations totaling NT\$3,309.9 million (US\$99.8 million) in long-term loan repayments due in 2001. In addition, we had long-term loan repayment obligations totaling NT\$12,484.8 million (US\$376.4 million) due in 2002, including our US\$200,000,000 Zero Coupon Convertible Bonds Due 2002. We also had NT\$9,684.4 million (US\$292.0 million) of short-term borrowings outstanding, part of which we would expect to renew. We expect to meet our long-term working capital, capital expenditure and debt repayment requirements through cash from operations, the proceeds from our September 2000 ADS offering and further debt financing and capital raising if needed. We have also raised capital at the subsidiary level to meet investment and capital requirements. In July 2000, ASE Test completed a US\$276 million offering of ordinary shares. In September 2000, we completed a US\$140 million offering of ADSs. As of December 31, 2000, we had a cash position of NT\$14,166.5 million (US\$427.1 million), outstanding and unused short-term credit lines of NT\$14,248.7 million (US\$429.6 million) and unused long-term bank facilities of NT\$5,869.8 million (US\$177.0 million).

We have from time to time also liquidated long-term or short-term investments to provide cash for our operations and capital expenditures, including offerings of ASE Test ordinary shares, sometimes in the form of Taiwan Depositary Receipts, in 1997 and 1999 and the sale by our subsidiaries of ASE Inc. common shares in the form of GDSs in 1999.

From time to time, we evaluate possible investments, acquisitions or divestments and may, if a suitable opportunity arises, make an investment, acquisition or divestment. We currently have no commitments to make any material investment, acquisition or divestment. In July 2000 our shareholders approved a resolution which authorizes our board of directors to make investments in the People's Republic of China. At such time as such an investment is permitted by the ROC investment law and policy and if suitable opportunities are available at that time, we intend to consider establishing a semiconductor packaging facility in the People's Republic of China.

RESEARCH AND DEVELOPMENT

Packaging

We centralize our research and development efforts in packaging technology in our Kaohsiung facilities. After initial phases of development, we conduct pilot runs in one of our facilities before the new techniques or technologies are implemented commercially at other sites. Facilities with special product expertise, such as ASE Korea, also conduct research and development of these specialized products and technologies at their sites. One of the areas of emphasis for our research and development efforts is improving the efficiency and technology of our packaging processes. We expect these efforts to continue. We are now also putting significant research and development efforts into the development and adoption of new technology. We work closely with the manufacturers of our packaging equipment, including Kulicke & Soffa Industries Inc., a United States supplier of a substantial portion of our new wire bonders, in designing and modifying the equipment used in our production process. We also work closely with our customers to develop new product and process technology.

A significant portion of our research and development efforts is also focused on the development of advanced substrate production technology for BGA packaging through ASE Material. Substrate is the principal raw material for BGA packages. Development and production of advanced substrates involve complex technology and, as a result, high quality substrates are currently available only from a limited number of suppliers, located primarily in Japan. We believe that the successful development of substrate production capability by ASE Material will, among other things, help ensure a stable and cost-effective supply of substrates for our BGA packaging operations and shorten production time. In 2000, ASE Material supplied approximately 25.4% of the substrate requirements at our packaging facilities in Kaohsiung.

We have also entered into various non-exclusive technology license agreements with licensors including Tessera Inc., Fujitsu Limited, Flip Chip Technologies, Motorola, Inc. and LSI Logic Inc. The technology we license from these companies includes solder bumping, redistribution, ultraCSP, assembly and other technologies used in the production of package types such as bump chip carrier, flip chip packages and micro BGA. We are also working with TSMC in developing the next generation of packaging product technology. The license agreement with Tessera will not expire until the expiration of the Tessera patents licensed by the agreement. The license agreements with Fujitsu, Flip Chip, and Motorola will expire on April 13, 2003, March 1, 2009, and December 31, 2002, respectively. We hold no material patents. We are currently co-developing with TSMC wafer bumping technology to implant directly onto the die input/output leads that will be connected to leads on laminate substrates or leadframes.

Testing

Our research and development efforts in the area of testing have focused primarily on improving the efficiency and technology of our testing processes. Our current projects include developing software for parallel testing of logic semiconductors, rapid automatic generation and cross-platform conversion of test programs to test logic/mixed-signal semiconductors, automatic code generation for converting and writing testing programs, testing new products using existing machines and providing customers remote access to monitor test results. We are also continuing the development of interface designs to provide for high-frequency testing by minimizing electrical noise. We work closely with our customers in designing and modifying testing software and with equipment vendors to increase the efficiency and reliability of testing equipment. Our research and development operations also include a mechanical engineering group, which currently designs handler kits for semiconductors testing and wafer probing, as well as software to optimize capacity utilization.

For 1998, 1999 and 2000, our research and development expenditures totaled approximately NT\$453.6 million, NT\$714.3 million and NT\$1,262.5 million (US\$38.1 million), respectively. These expenditures represented approximately 2.2%, 2.2% and 2.5% of net revenues in 1998, 1999 and 2000, respectively. We have historically expensed all research and development costs as incurred and none is currently capitalized. As of December 31, 2000, we employed 1,163 employees in research and development.

Item 6. Directors, Senior Management and Employees.

DIRECTORS AND SENIOR MANAGEMENT AND BOARD PRACTICE

Directors

Our board of directors is elected by our shareholders in a general meeting at which a quorum, consisting of a majority of all issued and outstanding common shares, is present. The Chairman is elected by the board from among the directors. Our seven-member board of directors is responsible for the management of our business.

The term of office for our directors is three years from the date of election. The current board of directors began serving on July 11, 2000. The terms of the directors will expire on July 10, 2003. Directors may serve any number of consecutive terms and may be removed from office at any time for a valid reason by a resolution adopted at a general meeting of shareholders. Normally, all board members are elected at the same time, except where the posts of one-third or more of the directors are vacant, at which time a special meeting of shareholders shall be convened to elect directors to fill the vacancies.

The following table sets forth the name of each of our directors, his or her position in ASE Inc., the year they were elected as director and other significant positions within the ASE Group held by them.

Name	Position	Director Since	Other Significant Positions Held
Jason C.S. Chang(1)	Director and Chairman	1984	Chairman of ASE Test Taiwan
Richard H.P. Chang(1)	Vice Chairman	1984	Chairman of ASE Test; Chairman of Universal Scientific
Leonard Y. Liu(2)	Director and President	2000	Director and Chief Executive Officer of ASE Test; Chief Executive Officer and President of Universal Scientific
Joseph Tung(2)	Director and Chief Financial Officer	1997	Director of ASE Test; Supervisor of Universal Scientific
Chang Yao Hung-ying(1)(2)	Director	1984	Director of ASE Test Taiwan
Chin Ko-Chien(2)	Director and Executive Vice President	1997	Director of ASE Test
David Pan(2)	Director	1997	Director and President of ASE Test

(1) Chang Yao Hung-ying is the mother of both Jason C.S. Chang and Richard H.P. Chang.

(2) Representative of ASE Enterprises Limited, a company organized under the laws of Hong Kong, which held 20.4% of our outstanding common shares as of December 31, 2000. All of the outstanding shares of ASE Enterprises Limited are held by a company organized under the laws of the British Virgin Islands in trust for the benefit of Chang Yao Hung-ying, the mother of Jason C.S. Chang, our Chairman, and Richard H.P. Chang, our Vice Chairman and Chief Executive Officer. Jason C.S. Chang is the sole shareholder and director of that company.

Supervisors

We currently have five supervisors, each serving a three-year term. Supervisors are typically elected at the time that directors are elected. The current supervisors began serving on June 1, 2001, and will expire on May 31, 2004. The supervisors' duties and powers include investigation of our business condition, inspection of our corporate records, verification and review of financial statements presented by our board of directors at shareholders' meetings, convening of shareholders' meetings, representing us in negotiations with our directors and notification, when appropriate, to the board of directors to cease acting in contravention of any applicable law or regulation or in contravention of our Articles of Incorporation. Each supervisor is elected by our shareholders and cannot concurrently serve as a director, managerial officer or other staff member. The ROC Company Law requires at least one supervisor be appointed at all times and that a supervisor's term of office be no more than three years.

The following table sets forth the name of each of our supervisors, his or her position in ASE Inc., the year they were elected as supervisor and other significant positions within the ASE Group held by them.

<u>Name</u>	<u>Position</u>	<u>Supervisor Since</u>	<u>Other Significant Positions Held</u>
Feng Mei-Jean (1)	Supervisor	1984	Supervisor of ASE Chung Li
Yen-Yi Tseng (2)	Supervisor	2000	Vice Chairman of Hung Ching
Alan Cheng (2)	Supervisor	1997	Director of ASE Test; Chairman of Hung Ching
John Ho (2)	Supervisor	1998	Director of Universal Scientific
Raymond Lo (2)	Supervisor	2000	President of ASE Test Taiwan

- (1) Feng Mei-Jean is the wife of Richard H.P. Chang.
(2) Representative of ASE Enterprises Limited.

In accordance with ROC law, each of our directors and supervisors is elected either in the capacity as an individual shareholder or as an individual representative of a corporate or governmental shareholder. Persons designated to represent corporate or government shareholders as directors are typically nominated by such shareholders at the annual general meeting. Of the current directors and supervisors, nine represent ASE Enterprises Limited. The remaining directors and supervisors serve in their capacity as individual shareholders.

Executive Officers

The following table sets forth information relating to our executive officers.

<u>Name</u>	<u>Position</u>	<u>Age</u>
Jason C.S. Chang	Chairman	56
Richard H.P. Chang	Vice Chairman and Chief Executive Officer	52
Leonard Y. Liu	President, ASE Inc.	59
Chin Ko-Chien	Executive Vice President and General Manager, Kaohsiung packaging facility	55
David Pan	President, ASE Test	56
Raymond Lo	President, ASE Test Taiwan	47
Kanapathi A/L Kuppusamy	President, ASE Test Malaysia	49
Shih-Song Lee	President, ASE Chung Li	60
James Stilson	President, ASE Korea	54
Fu-Shing Chang	President, ASE Philippines	50
Gregory Lin	President, ASE Material	57
Joseph Tung	Chief Financial Officer	42

Biographies of Directors, Supervisors and Executive Officers

Jason C.S. Chang has served as Chairman of ASE Inc. since its founding in March 1984. He holds a degree in electrical engineering from National Taiwan University and a masters degree from the Illinois Institute of Technology. He is the son of Chang Yao Hung-ying, a director of ASE Inc., and the brother of Richard H.P. Chang, our Vice Chairman and Chief Executive Officer.

Richard H.P. Chang has served as Vice Chairman of ASE Inc. since November 1999 after having served as President of ASE Inc. since its founding in March 1984, and was appointed Chief Executive Officer of ASE Inc. in July 2000. Mr. Chang is also the Chairman of ASE Test. He holds a degree in industrial engineering from Chung Yuan Christian University of Taiwan. He is the son of Chang Yao Hung-ying, a director of ASE Inc., and the brother of Jason C.S. Chang, our Chairman.

Leonard Y. Liu has served as a director since July 2000 and President of ASE Inc. since November 1999. Mr. Liu is also the Chief Executive Officer and a director of ASE Test and the Chief Executive Officer of Universal Scientific. Before joining ASE Inc., he was Chairman and Chief Executive Officer of Walker Interactive System, Inc. Mr. Liu has held other top management positions at leading technology companies, including Chief Operating Officer of Cadence

Design Systems, President of the Acer Group worldwide and General Manager of IBM's application enabling software business unit. He holds a degree in electrical engineering from National Taiwan University and a doctorate degree in electrical engineering and computer science from Princeton University.

Joseph Tung has served as a director of ASE Inc. since April 1997 and Chief Financial Officer since December 1994. He is also a director of ASE Test. Before joining ASE Inc., Mr. Tung was a Vice President at Citibank, N.A. He received a degree in economics from the National Chengchi University of Taiwan and a masters degree in business administration from the University of Southern California.

Chang Yao Hung-ying has served as a director of ASE Inc. since 1996. Before April 1997, she was the Chairman of Hung Ching. She holds a degree from Shanghai University. She is the mother of Jason C.S. Chang and Richard H.P. Chang, our Chairman and our Vice Chairman and Chief Executive Officer, respectively.

Chin Ko-Chien has served as a director of ASE Inc. since March 1984 and Executive Vice President and General Manager of our packaging facility in Kaohsiung since March 1990. Mr. Chin is also a director of ASE Test. Before joining ASE Inc., he held managerial positions at Fu Hua Construction Co. Ltd. and De Ji Trading Company. He holds a degree in bearings technology from Taiwan Ocean University.

David Pan has served as a director of ASE Inc. since April 1997 and President and a director of ASE Test since November 1995. Before joining ASE Test, Mr. Pan was the Vice President responsible for research and development at Ultratech Stepper Inc. He holds a degree in physics from the University of Illinois and masters and doctorate degrees in physics from the University of California at Berkeley.

Feng Mei-Jean has served as a supervisor of ASE Inc. since March 1984. She holds a degree in economics from National Taiwan University. She is the wife of Richard H.P. Chang, our Vice Chairman and Chief Executive Officer.

Yen-Yi Tseng has served as a supervisor of ASE Inc. since July 2000 and Vice Chairman of Hung Ching since 1999. Mr. Tseng served as President of Ret-Ser Engineering Agency from 1991 to 1998. He holds a degree in civil engineering from National Taiwan University and a masters degree in system engineering from Asian Institute of Technology in Thailand. He was also a participant in the Program for Management Development at Harvard Business School.

Alan Cheng has served as a supervisor of ASE Inc. since April 1997. Mr. Cheng is also the Chairman of Hung Ching. He holds a degree in industrial engineering from Chung-Yuan University.

John Ho has served as a supervisor of ASE Inc. since April 1998. He is also a director of Universal Scientific. He served as Chief Financial Officer of ASE Inc. from 1988 until 1995. He holds a degree in business administration from National Taiwan University and a masters degree in business administration from the University of Iowa.

Raymond Lo has served as a supervisor of ASE Inc. since July 2000 and President of ASE Test Taiwan since December 1999, after serving as Vice President of Operations of ASE Inc. since July 1993. Before joining ASE Inc., Mr. Lo was the Director of Quality Assurance at Zeny Electronics Co. He holds a degree in electronic physics from the National Chiao Tung University of Taiwan.

Kanapathi A/L Kuppusamy has served as President of ASE Test Malaysia since July 1999. Before joining ASE Test Malaysia, Mr. Kanapathi was President of Motorola Asia Final Manufacturing. He holds a masters degree in business administration from the University of East Asia in Kuala Lumpur, Malaysia.

Shih-Song Lee has served as President of ASE Chung Li since July 1999. Before joining ASE Chung Li, Mr. Lee served as President of Motorola's Semiconductor Products Sector Businesses in Chung Li, Taiwan before we acquired the company. He holds a degree in electrical engineering from the Tatung Institute of Technology in Taiwan.

James Stilson has served as President of ASE Korea since July 1999. Before joining ASE Korea, Mr. Stilson served as President of Motorola's Semiconductor Products Sector Businesses in Paju, Korea before we acquired the company. He holds a degree in chemistry and a masters degree in business administration from the University of California.

Fu-Shing Chang has served as President of ASE Philippines since January 2000. Before joining ASE Philippines,

Mr. Chang served as Vice President for Quality Assurance and Customer Service. He holds a degree in mechanical engineering from the National Cheng-kung University in Taiwan.

Gregory Lin has served as President of ASE Material since its inception in December 1997. Before joining ASE Material, Mr. Lin held research positions with Xerox Palo Alto Research Center. He holds a degree in chemistry from National Taiwan Chung Hsing University, and masters and doctorate degrees in chemistry from the University of Illinois.

COMPENSATION

In 2000, we paid to our directors, supervisors and executive officers approximately NT\$190.0 million (US\$5.7 million) in cash remuneration. In addition, an aggregate of 7,024,440 common shares of ASE Inc. were granted in 2000 to our directors, supervisors and executive officers. In 2000, we also set aside an aggregate of NT\$1.5 million (US\$0.05 million) to provide pension, retirement and similar benefits for our executive officers pursuant to existing plans provided by or contributed to by our company or its subsidiaries. The following table sets forth cash remuneration paid to our individual directors and supervisors in 2000.

Name	Position	Compensation(1)	Share Bonuses(4)
		NT\$ (in thousands)	
Jason C.S. Chang	Chairman	3,503	—
Richard H.P. Chang	Director	3,358	6,034,260
Leonard Y. Liu(6)	Director (Representative of ASE Enterprises Limited)	(2)	57,900
Chang Yao Hung-ying	Director (Representative of ASE Enterprises Limited)	(2)	—
Chin Ko-Chien	Director (Representative of ASE Enterprises Limited)	(2)	150,800
David Pan	Director (Representative of ASE Enterprises Limited)	(2)	111,000
Raymond Lo(5)	Director and Supervisor (Representative of ASE Enterprises Limited)	(2)	126,440
Joseph Tung	Director (Representative of ASE Enterprises Limited)	(2)	104,920
Feng Mei-Jean	Supervisor	1,000	—
Yen-Yi Tseng(6)	Supervisor (Representative of ASE Enterprises Limited)	(2)	30,000
Roger Cheung(3)	Supervisor (Representative of ASE Enterprises Limited)	(2)	—
John Ho	Supervisor (Representative of ASE Enterprises Limited)	(2)	93,330
Alan Cheng	Supervisor (Representative of ASE Enterprises Limited)	(2)	—
Walt Delauder(3)	Supervisor (Representative of ASE Enterprises Limited)	(2)	—

- (1) Does not include share bonuses of ASE Inc. or options to purchase ordinary shares of ASE Test.
- (2) A total of NT\$76,200 was paid to ASE Enterprises Limited on account of its representative directors and a total of NT\$60,000 was paid to ASE Enterprises Limited on account of its representative supervisors. Such payments were not to the directors and supervisors in their individual capacities.
- (3) Term expired on July 11, 2000.
- (4) All share bonuses were for shares of ASE Inc.
- (5) Term as director expired on July 11, 2000. Term as supervisor began on July 11, 2000.
- (6) Term began on July 11, 2000.

ASE Test Share Option Plans

ASE Test currently maintains four option plans approved in 1997, 1998, 1999 and 2000. As of May 31, 2001, ASE

Test had no outstanding options under the IPO option plan of 1996 and the 1996 option plan, and these plans have expired. Under ASE Test's share option plans, its directors, employees, advisors and consultants and those of its affiliates may, at the discretion of a committee of its directors administering the plan, be granted options to purchase its shares at an exercise price of no less than their market value on the date of grant. The committee has complete discretion to determine which eligible individuals are to receive option grants, the number of shares subject to each grant, the vesting schedule to be in effect for each option grant and the maximum term for which each granted option is to remain outstanding, up to a maximum term of five, or in the case of the 1999 and 2000 option plans, ten years. ASE Test's board of directors may amend or modify the plans at any time. As of May 31, 2001, an aggregate of 18,800,000 of ASE Test's shares had been reserved for issuance and 16,221,853 options to purchase its shares remained outstanding under its various option plans. An aggregate of 6,790,000 options had been granted to the directors and executive officers of ASE Test. Options granted under the various plans are exercisable at an exercise price ranging from \$2.06 to \$25.00 per share. Options granted under the 1997 and 1998 option plans will expire five years from the date of grant, and in the case of the 1999 and 2000 plans, ten years from the date of grant.

The following table sets forth options of ASE Test granted in the year ended December 31, 2000 with respect to our officers, directors and supervisors. No other officers, directors or supervisors were granted options in 2000. No options exercisable for our shares were granted in the year ended December 31, 2000.

Officer or Director	Number of Options Granted (1)	Exercise Price of Options	Expiration Date of Options
Raymond Lo	35,000	25	April 18, 2009
Kanapathi A/L Kuppusamy	25,000	25	April 18, 2009

(1) Each option covers one ordinary share of ASE Test.

ASE Inc. Employee Bonus Plan

We award bonuses to the employees of ASE Group companies based on overall income and individual performance targets. These employees are eligible to receive bonuses in the form of common shares of ASE Inc. valued at par. Actual amounts of bonuses to individual employees are determined based upon the employee meeting specified individual performance objectives. We granted an aggregate of 30,760,000 common shares, 9,540,000 common shares and 47,833,062 common shares in 1998, 1999 and 2000, respectively, as stock awards to our employees with a fair market value at the date of grant of NT\$2,311.1 million, NT\$754.7 million and NT\$3,429.0 million (US\$103.4 million), respectively. We expect this practice to continue in future periods.

EMPLOYEES

The following table sets forth certain information concerning our employees for the dates indicated.

	As of December 31,		
	1998	1999	2000
Total	8,737	14,184	18,121
Function			
Direct labor	5,583	9,495	12,011
Indirect labor (manufacturing)	1,937	2,995	3,577
Indirect labor (administration)	799	1,067	1,370
Research and development	418	627	1,163
Location			
Taiwan	6,390	9,360	12,430
Korea	—	972	965
Malaysia	2,167	2,625	3,407
United States	—	369	523
Philippines	180	582	568
Singapore	—	36	104

	As of December 31,		
	1998	1999	2000
Hong Kong	—	137	124

Eligible employees may participate in the ASE Inc. Employee Share Bonus Plan and the ASE Test Share Option Plans. See “— Compensation” and “— Share Ownership”.

With the exception of ASE Korea’s employees, our employees are not covered by any collective bargaining arrangements. We believe that our relationship with our employees is good.

SHARE OWNERSHIP

The following table sets forth certain information with respect to our officers and directors as of March 31, 2001.

Officer or Director	Number of ASE Inc. Common Shares Held	Percentage of Total of our Common Shares Issued and Outstanding
Jason C.S. Chang	17,311,832	0.63%
Richard H.P. Chang	32,353,782	1.18
Leonard Y. Liu	57,900	—
Joseph Tung	602,722	0.02
Chang Yao Hung-Ying	16,139,604	0.59
Chin Ko-Chien	376,718	0.01
David Pan	210,518	0.01
Feng Mei-Jean	49,803,131	1.81
Yen-Yi Tseng	30,000	—
Alan Cheng	245,895	0.01
John Ho	183,787	0.01
Raymond Lo	375,911	0.01
Kanapathi A/L Kuppusamy	—	—
Shih-Song Lee	120,000	0.01
James Stilson	—	—
Fu-Shing Chang	73,203	0.01
Gregory Lin	285,567	0.01

Item 7. Major Shareholders.

MAJOR SHAREHOLDERS

The following table sets forth information known to us with respect to the beneficial ownership of our common shares as of December 31, 2000, by (1) each shareholder known by us to own beneficially more than 5% of our common shares and (2) all directors, supervisors and executive officers as a group.

Name of shareholder or group	Common Shares Beneficially Owned	
	Number	Percentage
ASE Enterprises Limited(1)	560,889,602	20.4%
Directors, supervisors and executive officers as a group(2)	680,210,777	24.7%

(1) ASE Enterprises Limited is a company organized under the laws of Hong Kong. All of the outstanding shares of ASE Enterprises Limited are held by a company organized under the laws of the British Virgin Islands in trust for the benefit of Chang Yao Hung-ying, the mother of Jason C.S. Chang, our Chairman, and Richard H.P. Chang, our Vice Chairman and Chief Executive Officer. Jason C.S. Chang is the sole shareholder and director of that company.

(2) Includes shareholding of ASE Enterprises Limited.

The following table sets forth information relating to our common shares held by our consolidated subsidiaries and

non-consolidated affiliates as of December 31, 2000.

Name of shareholder	Common Shares Beneficially Owned	
	Number	Percentage
ASE Capital(1)	17,907,964	0.7%
ASE Investment(1)(2)	117,401,760	4.3%
ASE Test Taiwan(3)	557,875	0.02%
Hung Ching(4)	33,791,301	1.2%

- (1) ASE Capital and ASE Investment are our wholly-owned subsidiaries.
- (2) Of the 117,401,760 common shares owned by ASE Investment, 13,873,890 are currently represented by an aggregate of 2,774,778 ADSs.
- (3) ASE Test Taiwan is a subsidiary of ASE Test, our 51.2% owned subsidiary.
- (4) As of December 31, 2000, we held 25.1% of the outstanding shares of Hung Ching. Our director Chang Yao Hung-ying, our Chairman Jason C.S. Chang, our Vice Chairman and Chief Executive Officer Richard H.P. Chang and other members of the Chang family are controlling shareholders of Hung Ching. See "Item 4. Information on the Company — Business Overview — Other Members of the ASE Group— Unconsolidated Affiliates".

In addition to the common shares held by our consolidated subsidiaries and unconsolidated affiliates set forth above, as of December 31, 2000, J&R Holding, our wholly-owned subsidiary, holds options exercisable for 76,703,517, or 2.8%, of our common shares at an exercise price of NT\$59.7 per common share. The number of common shares covered by the options and the exercise price are subject to adjustments if specified events take place, such as the declaration of dividends in our common shares or the issuance of our common shares at less than the market price. The options expire in November 2002.

As of May 31, 2001, approximately 37.3 million of our ADSs were outstanding, representing approximately 6.8% of our outstanding shares. We believe that, of such ADSs, approximately 26.7 million were held by approximately 700 holders in the United States.

RELATED PARTY TRANSACTIONS

In recent years, ASE Inc. has made awards of ASE Inc.'s common shares to the employees of ASE Group companies as part of their compensation, based in part on the consolidated net income of ASE Inc. and the member companies' contribution to the consolidated income. ASE Inc. granted an aggregate of 13,510,250 common shares in 2000, 1,305,000 common shares in 1999 and 6,105,410 common shares in 1998 as stock awards to employees of other companies of the ASE Group with a fair market value at the time of grant of NT\$968.5 (US\$29.2 million), NT\$103.2 million and NT\$458.7 million, respectively. ASE Inc. expects this practice to continue in future periods.

ASE Material sold interconnect material, principally leadframes, in the aggregate amount of NT\$1,765.6 million (US\$53.2 million), NT\$779.9 million and NT\$452.1 million to ASE Inc. for 2000, 1999 and 1998, respectively. In 2000, we purchased approximately 25.4% of our substrate requirements for our packaging facilities in Kaohsiung from ASE Material. We purchase, and plan to continue to purchase, materials from ASE Material at prevailing market prices.

ASE Test Taiwan has historically charged ASE Inc. fees for the testing of semiconductors packaged for a small number of customers that prefer to be billed through ASE Inc. for testing services performed by ASE Test Taiwan. These fees amounted to NT\$142.7 million (US\$4.3 million), NT\$81.5 million and NT\$155.7 million for 2000, 1999 and 1998, respectively. ASE Inc. sold to ASE Test Taiwan at book value a building at an aggregate price of NT\$18.4 million (US\$0.6 million) in 2000.

ASE Test Malaysia and ASE Philippines have historically purchased a portion of the raw materials used in their packaging operations, principally leadframes, from ASE Inc. when they face a shortage in the supply of these types of raw materials. These types of raw materials are typically resold by ASE Inc. to ASE Test Malaysia and ASE Philippines at book value. Purchases of raw materials by ASE Test Malaysia amounted to NT\$3.6 million (US\$0.1 million), NT\$14.6 million and NT\$28.0 million for 2000, 1999 and 1998, respectively. Purchases of raw materials by ASE Philippines amounted to NT\$1.8 million (US\$0.05 million), NT\$2.1 million and NT\$4.1 million for 2000, 1999 and

1998, respectively. In addition, ASE Inc. purchased raw materials, principally leadframes, from ASE Test Malaysia in an amount of NT\$11.9 million (US\$0.4 million), NT\$4.3 million and NT\$3.2 million for 2000, 1999 and 1998, respectively.

ASE Inc. has historically guaranteed the short-term borrowing of many of its subsidiaries. As of December 31, 2000, ASE Inc. had endorsed and guaranteed an aggregate amount of NT\$8,423.9 million (US\$254.0 million) of the outstanding promissory notes of its subsidiaries.

ASE Inc. sold to ASE Philippines at book value machinery and equipment for the packaging of plastic dual in-line packages at an aggregate price of NT\$22.8 million (US\$0.7 million) and NT\$12.9 million in 2000 and 1999, respectively.

In January 2000, ASE Chung Li and Hung Ching, our affiliate company, entered into an agreement for the development of buildings on land currently owned by ASE Chung Li. Hung Ching will bear all costs relating to the development. Upon completion of the development, floor space in the buildings will be sold by Hung Ching at prices to be negotiated between Hung Ching and the buyers. ASE Chung Li and its affiliates will have priority in the purchase of the floor space. In the event that floor space is sold to persons other than ASE Chung Li, ASE Chung Li will receive 25% of the purchase price. The first phase of the development project is the construction of a building with aggregate floor space of approximately 800,000 square feet, which was completed in September 2000. The total value of the first phase of the project, including land and the completed building, is estimated at NT\$2.0 billion. The new building is expected to house ASE Chung Li's testing operations as well as part of the operations of other ASE Group companies.

In October 1997, J&R Holding entered into agreements with Swiss Bank Corporation to purchase call options on a portion of our US\$200 million Zero Coupon Convertible Bonds due 2002. The call options were offered by Swiss Bank Corporation as a part of the repackaging of our convertible bonds by SBC Warburg, an affiliate of Swiss Bank Corporation, into two separate instruments consisting of: (1) US\$200 million callable floating rate notes secured by the convertible bonds and (2) call options on the convertible bonds. SBC Warburg decided to repackage the convertible bonds because the adverse market conditions resulting from the Asian financial crisis during the second half of 1997 made it difficult to market the convertible bonds. SBC Warburg was able to obtain commitments for the entire issue of the floating rate notes but, as a result of the adverse market conditions described above, was able to obtain commitments for only a portion of the call options. As a result, Swiss Bank Corporation approached a number of large institutional investors, including J&R Holding, with a proposal to sell a portion of the call options.

J&R Holding decided to purchase the call options because its management considered the call options to be a good investment. Under the first agreement with Swiss Bank Corporation, J&R Holding is required to make four cash payments to Swiss Bank Corporation in November 1998, 1999, 2000 and 2001. In return, J&R Holding has the right to call the convertible bonds back at any time during the period from November 1998 through November 2002. Under the second agreement, Swiss Bank Corporation paid US\$200,000 to J&R Holding. In return, Swiss Bank Corporation had the right to sell a portion of the call options to J&R Holding at any time between November 4, 1997 and November 1, 1998. In any event, J&R Holding was required under the automatic exercise provision of the second agreement to purchase these call options upon the expiration of the agreement on November 1, 1998.

ASE Holding Limited, one of our subsidiaries through which we hold ASE Test's shares, entered into a share purchase agreement dated as of May 19, 2001 with our Chairman, Jason C.S. Chang, and Vice-Chairman, Richard H.P. Chang, under which ASE Holding Limited would purchase 2,480,000 shares of ASE Test from Jason C.S. Chang and Richard H.P. Chang upon the exercise of certain options granted to them under ASE Test's 1996 IPO option plan for an aggregate purchase price of US\$35,389,600. The closing date of this acquisition of shares was May 22, 2001. We engaged in this acquisition principally for investment purposes.

Item 8. Financial Information.

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated financial statements are set forth under "Item 18. Financial Statements".

LEGAL PROCEEDINGS

We are not involved in material legal proceedings the outcome of which we believe would have a material adverse effect on us.

Criminal charges were brought in December 1998 by the district attorney for Taipei against Jason C.S. Chang, Richard H.P. Chang, Chang Yao Hung-ying and four others for alleged breach of fiduciary duties owned to Hung Ching Development & Construction Co. Ltd. (“Hung Ching”), an affiliate of ASE Inc., in their capacity as directors and officer of Hung Ching in connection with a land sale transaction in 1992 valued at approximately NT\$1.7 billion. It was alleged that the transaction in which Jason C.S. Chang sold the land to Hung Ching unfairly benefitted Jason C.S. Chang to the detriment of Hung Ching. Hung Ching at that time was a privately owned company whose principal shareholders were members of the Chang family. Ancillary charges were brought against Jason C.S. Chang, Chang Yao Hung-ying and another for alleged forgery of Hung Ching board resolutions relating to that transaction. On January 5, 2001, the District Court of Taipei rendered a judgment in the matter, finding Jason C.S. Chang and Chang Yao Hung-ying guilty with sentences of six years’ imprisonment each and Richard H.P. Chang not guilty. In order to comply with the particular requirements of the Singapore Companies Act, Jason C.S. Chang and Chang Yao Hung-ying have both resigned as directors of ASE Test.

Neither Jason C.S. Chang nor Chang Yao Hung-ying believes that he or she committed any offense in connection with such transactions, and they are appealing the decision to the High Court of Taiwan, the ROC. Counsel to Jason C.S. Chang and Chang Yao Hung-ying have advised that, as these proceedings may not be finally determined until the case has been considered by the High Court and the Supreme Court of Taiwan, the ROC, two or three years may elapse until they are fully resolved. If the convictions are not overturned on appeal to the High Court or, if necessary, the Supreme Court of Taiwan, the ROC, they will be required under ROC law to resign as directors and Jason C.S. Chang will be required to resign as Chairman of ASE Inc.

SIGNIFICANT CHANGES

We have not experienced any significant changes since the date of the annual financial statements.

Item 9. Listing Details.

MARKET PRICE INFORMATION AND MARKETS

Our shares are traded on the Taiwan Stock Exchange under the symbol “2311”. Public trading of our shares, par value NT\$10, commenced in July 1989. Prior to that time, there was no public market for our shares. As of December 31, 2000, there were an aggregate of 2,752,000,000 of our common shares outstanding. The following table sets forth the high and low closing prices for the shares for the periods indicated as reported by Bloomberg for the periods indicated.

	Closing Price ⁽¹⁾	
	High	Low
Year Ended December 31,		
1996	15.63	8.44
1997	63.10	14.90
1998	76.94	32.29
1999	85.17	35.03
2000	93.54	21.90
Year Ended December 31, 1999		
First Quarter	58.39	35.03
Second Quarter	75.56	51.18
Third Quarter	82.43	56.27
Fourth Quarter	85.17	65.78
Year Ended December 31, 2000		
First Quarter	93.54	69.20
Second Quarter	90.87	68.06

	<u>High</u>	<u>Low</u>
Third Quarter	72.24	40.10
Fourth Quarter	43.00	21.90
Year Ending December 31, 2001		
First Quarter	38.80	22.50
Monthly		
December 2000	34.50	21.90
January 2001	34.80	22.50
February 2001	38.80	31.10
March 2001	31.70	28.20
April 2001	29.40	27.00
May 2001	27.50	24.50
June 2001 (through June 28)	25.10	21.00

- (1) As adjusted retroactively by the Taiwan Stock Exchange to give effect to stock dividends paid in the periods indicated.

The last reported price of our shares was NT\$21.00 per share on June 28, 2001.

We offered and sold 8,600,000 GDSs in July 1995 comprising of GDSs sold in the United States under Rule 144A and GDSs sold outside the United States pursuant to Regulation S. Each GDS represented five common shares of ASE Inc. The GDSs sold under Rule 144A were designated as eligible for trading in the PORTAL System of the National Association of Securities Dealers, Inc. in the United States. The GDSs sold pursuant to Regulation S were listed on the Stock Exchange of Singapore and the Luxembourg Stock Exchange and quoted on SEAQ International. Some of our affiliates offered and sold an additional 10,489,902 GDSs in December 1999. Concurrently with an offering of ADSs in on September 25, 2000, we are offered to exchange one ADS for each GDS sold under Rule 144A. We also converted each of the outstanding GDSs sold pursuant to Regulation S into one ADS. Upon completion of the conversion of the GDSs sold pursuant to Regulation S into ADSs, we delisted these GDSs from the Stock Exchange of Singapore and the Luxembourg Stock Exchange on September 26, 2000 and from the SEAQ International on October 12, 2000. The following table sets forth, for the periods indicated, the high and low closing prices of our GDSs as quoted on SEAQ International.

	<u>Closing Price of GDSs⁽¹⁾</u>	
	<u>High</u>	<u>Low</u>
Year Ended December 31,		
1996	US\$2.97	US\$1.50
1997	11.65	2.79
1998	14.78	4.88
1999	17.79	6.27
2000 (through October 12)	19.20	5.88
Year Ended December 31, 1999		
First Quarter	10.27	6.27
Second Quarter	15.46	9.77
Third Quarter	16.16	11.20
Fourth Quarter	17.79	13.81
Year Ended December 31, 2000		
First Quarter	19.20	14.52
Second Quarter	16.35	12.17
Third Quarter	12.89	6.83
Fourth Quarter (through October 12)	6.58	5.88
Monthly		
October 2000 (through October 12)	6.58	5.88

- (1) Adjusted retroactively to give effect to stock dividends.
Source: Bloomberg.

The last reported sale price of the GDSs before delisting on the SEAQ International was US\$5.95 per GDS on October 12, 2000.

We offered and sold 20,000,000 ADSs on September 25, 2000. Our ADSs are traded on the New York Stock Exchange under the symbol "ASX". Public trading of our ADSs, each representing five common shares, commenced in September 2000. Prior to that time, there was no public market for our ADSs. As of April 12, 2001, there were an aggregate of 35,656,653 of our ADSs outstanding. The following table sets forth the high and low sales prices for the shares for the periods indicated as reported by the New York Stock Exchange for the periods indicated.

	<u>Closing Price of ADSs</u>	
	<u>High</u>	<u>Low</u>
Year Ended December 31, 2000 (from September 25)	US\$6.75	US\$3.06
Year Ended December 31, 2000 Fourth Quarter (including September 25 – October 1 of third quarter)	6.75	3.06
Year Ending December 31, 2001 First Quarter	6.05	3.31
Monthly		
December 2000	5.06	3.06
January 2001	5.75	3.31
February 2001	6.05	4.75
March 2001	5.05	4.20
April 2001	4.40	4.00
May 2001	4.40	3.74
June 2001 (through June 27)	3.65	2.99

Source: Bloomberg.

The last reported sale price of the ADSs on the NYSE was US\$2.99 per ADS on June 27, 2001.

Item 10. Additional Information.

ARTICLES OF INCORPORATION

We are a company limited by shares organized under the laws of the ROC. Our organizational document is our Articles of Incorporation. We have no by-laws.

Our Articles of Incorporation provide, in Article 2, that we are to engage in the following types of business:

1. The manufacture, assembly, processing, testing and export of various types of integrated circuitry;
2. The research, development, design and manufacture, assembly, processing, testing and export of various computers, electronics, communications, information products and their peripheral products; and
3. General import and export trading business (to the exclusion of certain approved businesses that require trading permits).

Directors

Our Articles of Incorporation provide that we are to have from five to seven directors with tenures of three years who are elected from among the shareholders. There is no minimum amount of shares necessary to stand for election to a directorship. Many of our directors are corporate shareholders, who appoint representatives. Re-elections are allowed. The directors have certain powers and duties, including devising operations strategy, proposing to distribute dividends or make up losses, proposing to increase or decrease capital, reviewing material internal rules and contracts, hiring and discharging the general manager or managers, establishing and dissolving branch offices, reviewing budgets

and audited financial statements and other duties and powers granted by or in accordance with the ROC Company Law or shareholders resolutions.

The board of directors is constituted by the directors, who elect a chairman and a vice-chairman from among the directors to preside over the meeting of the Board. Meetings of the board may be held in the ROC or any place abroad. A director may appoint another director to attend a meeting and vote by proxy, but a director may accept only one proxy.

The Articles of Incorporation contain no provisions relating to a director's power to vote on a proposal in which that director is interested, the directors' power to vote compensation to themselves, borrowing powers, retirement or age-limit requirements.

General

We were incorporated on March 23, 1984 as a company limited by shares under the ROC Company Law. Before our annual general shareholders' meeting held on July 11, 2000, our authorized and paid-in share capital was NT\$24,000,000,000, divided into 2,400,000,000 common shares, all of which were in registered form and 1,980,355,086 of which were issued and outstanding. At the meeting, our shareholders:

- approved an increase in our authorized share capital to NT\$32,000,000,000, divided into 3,200,000,000 common shares; and
- approved the distribution of a stock dividend of NT\$3.15 per common share.

Currently, 2,752,000,000 common shares are issued and outstanding, including common shares represented by our ADSs. We do not have any equity in the form of preference shares or otherwise outstanding.

We have 200,000,000 common shares reserved for the issuance of common shares upon conversion of any convertible bonds issued by us, including 94,607,641 common shares reserved in connection with our US\$200 million Zero Coupon Convertible Bonds Due 2002 issued in November 1997. As of August 15, 2000, these convertible bonds were convertible into our common shares at a conversion price of NT\$59.7 per common share. The conversion price is subject to adjustment in the following circumstances:

- (1) the making of a free distribution or bonus issue of common shares;
- (2) subdivisions, consolidations or reclassifications of common shares;
- (3) the declaration of a dividend in common shares;
- (4) the grant, issue or offer to the holders of common shares or rights or warrants to subscribe for or purchase common shares at less than the current market price or to subscribe for or purchase any securities convertible into or exchangeable for common shares at less than the then current market price;
- (5) the distribution to the holders of common shares of evidences of indebtedness of ASE Inc. or of shares of capital stock of ASE Inc. (other than common shares) or of assets (other than regular periodic dividends in cash) or of rights or warrants to subscribe for or purchase shares or securities (other than those mentioned in (4) above);
- (6) the issue of securities (other than the bonds, certificates of payment issued on conversion of bonds and those mentioned in (4) above) convertible into or exchangeable for common shares at less than the then current market price or of rights or warrants (other than those mentioned in (4) above) to subscribe for or purchase common shares at less than the then current market price or to subscribe for or purchase securities convertible into or exchangeable for common shares at less than the then current market price;
- (7) the issue of common shares (other than common shares or certificates of payment issued on conversion of the bonds or in any of the circumstances described above, but including to employees under any employee bonus arrangements) at less than the current market price; and
- (8) any other event or circumstances which would have in our determination or in the determination of the trustee an

analogous effect to any of the events in (1) to (7) above including, but not limited to, issues of receipts or certificates entitling holders to receive securities.

Certificates of Payment

Under current ROC law, whenever we issue common shares, we will deliver one or more certificates of payment evidencing the aggregate number of common shares purchased to the purchaser (or the holder, in the case of a distribution of common shares to existing holders, or the subscriber, in the case of a holder subscribing for additional common shares under a rights offering). Each certificate of payment will represent the irrevocable right to receive the relevant number of common shares after all required ROC share issuance procedures have been complied with. We are required under ROC law to file an amendment to our corporate registration within 15 days after we receive the proceeds of an offering.

Dividends and Distributions

In general, we are not permitted to distribute dividends or make other distributions to shareholders in any year in which we did not record net income. Our shareholders are not entitled to the benefits of any sinking fund and are not entitled to redeem their shares. The ROC Company Law also requires that 10% of annual net income (less prior years' losses, if any) be set aside as a legal reserve until the accumulated legal reserve equals our paid-in capital. In addition, our Articles of Incorporation require that before a dividend is paid out of our annual net income:

- up to 2% of our annual net income (less any gains on the disposal of fixed assets, prior years' losses and additions to legal and special reserves, if any) should be paid to our directors and supervisors as compensation; and
- between 5% and 7% of the annual net income (less any gains on the disposal of fixed assets, prior years' losses and legal and special reserves, if any) should be paid to our employees as bonuses. The 5% portion is to be distributed to all employees in the form of stock bonuses in accordance with our employee stock bonus plan, while any portion exceeding 5% is to be distributed in accordance with rules established by our board of directors to individual employees who have been recognized as having made special contributions to our company.

At the annual general shareholders' meeting, our board of directors submits to the shareholders for their approval any proposal for the distribution of a dividend or the making of any other distribution to shareholders from our net income for the preceding fiscal year. All common shares outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution so approved. Dividends may be distributed in cash, in the form of common shares or a combination of the two, as determined by the shareholders at the meeting. Our Articles of Incorporation provide that our dividend policy is to give priority to stock dividends and the amount of cash dividends is not to exceed 20% of the total dividends distributable in that year.

We are also permitted to make distributions to our shareholders of additional common shares by capitalizing reserves. However, the capitalized portion payable out of our legal reserve is limited to 50% of the total accumulated legal reserve and the capitalization can only be effected when the accumulated legal reserve exceeds 50% of our paid-in capital.

Cash dividends that are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of such five-year period, become our property. However, stock dividends are not subject to any prescription period under ROC law. Accordingly, uncollected stock dividends will remain in our safekeeping and continue to be claimable by the relevant shareholders.

Changes in Share Capital

Under ROC Company Law, any change in the authorized share capital of a company limited by shares requires an amendment to its Articles of Incorporation. In the case of a public company such as ASE Inc., the approval of the ROC Securities and Futures Commission and the ROC Ministry of Economic Affairs is also required. Authorized but unissued common shares may be issued, subject to applicable ROC law, upon terms as our board of directors may determine.

Preemptive Rights

Under the ROC Company Law, when a ROC company issues new shares for cash, existing shareholders who are listed on the shareholders' register as of the record date have preemptive rights to subscribe for the new issue in proportion to their existing shareholdings, while a company's employees, whether or not they are shareholders of the company, have rights to subscribe for 10% to 15% of the new issue. Any new shares that remain unsubscribed at the expiration of the subscription period may be offered by us to the public or privately placed.

In addition, in accordance with the ROC Securities and Exchange Law, a public company that intends to offer new shares for cash must offer to the public at least 10% of the shares to be sold. This percentage can be increased by a resolution passed at a shareholders' meeting, which would diminish the number of new shares subject to the preemptive rights of existing shareholders.

Meetings of Shareholders

We are required to hold an ordinary meeting of our shareholders within six months following the end of each fiscal year. These meetings are generally held in Kaohsiung, Taiwan. Extraordinary shareholders' meetings may be convened by resolution of the board of directors or by the board of directors upon the written request of any shareholder or shareholders who have held 3% or more of the outstanding common shares for more than one year. Extraordinary shareholders' meetings may also be convened by a supervisor. Notice in writing of meetings of shareholders, stating the place, time and purpose, must be dispatched to each shareholder at least 20 days, in the case of ordinary meetings, and 10 days, in the case of extraordinary meetings, before the date set for each meeting. A majority of the holders of all issued and outstanding common shares present at a shareholders' meeting constitutes a quorum for meetings of shareholders.

Under the ROC Company Law, the applicable rules of the Taiwan Stock Exchange and our Articles of Incorporation, we are required to hold an ordinary meeting of our shareholders within six months following the end of each fiscal year.

Voting Rights

Our Articles of Incorporation provide that a holder of common shares has one vote for each common share, except that a holder of more than 3% of the total outstanding common shares is not permitted to vote 0.1% of the number of common shares held by the holder in excess of 3%. There is cumulative voting for the election of directors and supervisors. Elections for directors are not staggered.

In general, a resolution can be adopted by the holders of at least a majority of the common shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding common shares are present. Under ROC Company Law, the approval by at least a majority of the common shares represented at a shareholders meeting in which a quorum of at least two-thirds of all issued and outstanding common shares are represented is required for major corporate actions, including:

- amendment to the Articles of Incorporation;
- increase in authorized share capital;
- transfer of the whole or substantial part of its business or assets;
- taking over of the whole of the business of any other company; or
- distribution of any stock dividend.

In case of a dissolution or amalgamation of the company, approval by a majority of the common shares represented at a shareholders' meeting in which a quorum of at least three-fourths of all issued and outstanding common shares are represented is required.

A shareholder may be represented at an ordinary or extraordinary meeting by proxy if a valid proxy form is delivered to us five days before the commencement of the ordinary or extraordinary shareholders' meeting.

Register of Shareholders and Record Dates

Our share registrar, President Securities Corp., maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of common shares in our register upon presentation of, among other documents, certificates representing the common shares transferred. Under the ROC Company Law and our Articles of Incorporation, we may, by giving advance public notice, set a record date and close the register of shareholders for a specified period in order for us to determine the shareholders or pledgees that are entitled to rights pertaining to the common shares. The specified period required is as follows:

- ordinary shareholders' meeting — one month;
- extraordinary shareholders' meeting — 15 days;
- relevant record date — five days.

Annual Financial Statements

At least 10 days before the annual ordinary shareholders' meeting, our annual financial statements must be available at our principal executive office in Kaohsiung, Taiwan for inspection by the shareholders.

Transfer of Common Shares

The transfer of common shares in registered form is effected by endorsement and delivery of the related share certificates but, in order to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. Shareholders are required to file their respective specimen seals, also known as chops, with us. Chops are official stamps widely used in Taiwan by individuals and other entities to authenticate the execution of official and commercial documents.

Acquisition of Common Shares by ASE Inc.

Under the ROC Securities and Exchange Law, effected on July 21, 2000, we may purchase our own common shares for treasury stock in limited circumstances, including:

- to transfer common shares to our employees;
- to reserve common shares to be issued upon conversion of convertible securities; and
- to maintain our credit and our shareholders' equity.

We may purchase our common shares (1) on the Taiwan Stock Exchange or (2) by means of a public tender offer. These transactions require the approval of a majority of our board of directors at a meeting in which at least two-thirds of the directors are in attendance. The total amount of common shares purchased for treasury stock may not exceed 10% of the total outstanding shares.

These restrictions on acquiring our common shares do not apply to our subsidiaries or affiliates.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed pro rata to the shareholders in accordance with the relevant provisions of the ROC Company Law and our Articles of Incorporation.

Substantial Shareholders and Transfer Restrictions

The ROC Securities and Exchange Law currently requires (1) each director, supervisor, manager or substantial shareholder (that is, a shareholder who together with his or her spouse, minor children or nominees, holds more than 10% of the shares of a publicly listed company) to report any change in that person's shareholding to the issuer of the shares which shall later report such information to the ROC Securities and Futures Commission and (2) each director, supervisor, manager or substantial shareholder holding those common shares for more than a 90-day period to report his or her intent to transfer any shares on the Taiwan Stock Exchange to the ROC Securities and Futures Commission at least three days before the intended transfer, unless the number of shares to be transferred is less than 10,000 shares per trading day.

Limitations on the Right to Own Securities

Investments in us by foreigners are not subject to any individual or aggregate foreign ownership limits. The exercise of voting rights by such foreign shareholders is not subject to any restriction.

Other Provisions

There are no special provisions in the Articles of Incorporation that would delay, defer or prevent a change of control and would operate only in respect to a merger, acquisition or restructuring involving us or our subsidiaries. There are no provisions in the Articles of Incorporation governing the ownership threshold above which shareholder ownership must be disclosed.

MATERIAL CONTRACTS

Stock Purchase Agreement dated as of March 15, 1999 between ASE Test Limited and the Selling Shareholders relating to the purchase and sale of 12,250,000 shares of Common Stock of ISE Labs, Inc.

Our subsidiary, ASE Test, entered into this agreement in order to take control and a majority stake in ISE Labs, Inc., a California corporation engaged in the business of testing integrated circuits. Our subsidiary paid \$8.00 per share to the selling shareholders at the closing. The contract contemplates either an initial public offering meeting certain qualifications or a material asset sale meeting certain qualifications which must occur by December 31, 2001. This offering or sale has not yet occurred. If this offering or sale does not occur by the mandated time, each seller will have the right to exchange his outstanding common stock of ISE Labs for ASE Test shares deemed to have a value equivalent to \$8.00, plus interest. Alternatively, such selling shareholder may sell its stock to ASE Test. See "Item 4. Information on the Company — History and Development of the Company — ISE Labs".

Asset Purchase Agreement dated as of July 3, 1999 among ASE (Chung Li) Inc., ASE Inc., Motorola Electronics Taiwan, Ltd. and Motorola, Inc.

We entered into this asset purchase agreement to acquire Motorola's integrated circuit testing and packaging unit located in Chung Li, ROC. Pursuant to this agreement, substantially all of Motorola Electronics Taiwan, Ltd.'s assets were transferred to our subsidiary, ASE Chung Li. The base purchase price as set forth in the contract was \$80 million, subject to certain adjustments. We acquired substantially all of the assets of ASE Chung Li for a base price of US\$150.0 million in cash, consisting of an initial payment of US\$80.0 million at closing and an additional US\$70.0 million payable over three years if sales volume targets are met. See "Item 4. Information on the Company — History and Development of the Company — ASE Chung Li and ASE Korea".

Stock Purchase Agreement dated as of July 3, 1999 among ASE Investment (Labuan) Inc., ASE Inc., Motorola Asia Ltd. and Motorola, Inc. relating to the purchase and sale of 100% of the Common Stock of Motorola Korea Ltd.

We entered into this stock purchase agreement to acquire Motorola's integrated circuit testing and packaging unit located in Paju, Korea. Pursuant to this agreement, substantially all of Motorola Asia Ltd.'s assets were transferred to our subsidiary, ASE Korea. The base purchase price as set forth in the contract was \$36 million, plus an additional purchase price of \$51,095,000, subject to certain adjustments. We acquired 100% of the outstanding shares of ASE Korea for a base price of US\$140.0 million in cash, consisting of an initial payment of US\$36.0 million and an additional US\$104.0 million

payable over five years. See “Item 4. Information on the Company — History and Development of the Company — ASE Chung Li and ASE Korea”.

Manufacturing Services Agreement dated as of July 3, 1999 among Motorola, Inc., ASE Inc. and ASE (Chung Li) Inc.

This contract was entered into to provide a strategic supplier relationship in which we use our ASE Chung Li subsidiary to provide testing and packaging services to Motorola on a priority basis. This contract has a duration of five years. The contract governs capacity reservation by Motorola at the Chung Li facility as well as our facilities in Kaohsiung or the facilities of ASE Test Taiwan and specifications of the work to be performed. Remuneration to us is confidential and the contract, as filed as an exhibit to our Form F-1 Registration Statement in 2000, was granted confidential treatment by the Commission.

Manufacturing Services Agreement dated as of July 3, 1999 among Motorola, Inc., ASE Inc. and ASE (Korea) Inc.

This contract was entered into to provide a strategic supplier relationship in which we use our ASE Korea subsidiary to provide testing and packaging services to Motorola on a priority basis. This contract has a duration of five years. The contract governs capacity reservation by Motorola at the Korea facility and specifications of the work to be performed. Remuneration to us is confidential and the contract, as filed as an exhibit to our Form F-1 Registration Statement in 2000, was granted confidential treatment by the Commission.

BGA Immunity Agreement dated as of January 25, 1994 between ASE Inc. and Motorola, Inc.

Pursuant to this contract, Motorola released, acquitted and forever discharged us and our subsidiaries from any and all claims or liability for infringement or alleged infringement of any Motorola patents, as defined in the contract. Motorola granted us and our subsidiaries immunity from suit for Motorola patents involving BGA packages. We and our subsidiaries released, acquitted and forever discharged Motorola and its subsidiaries for any time prior to the date of the contract, from any and all claims or liability for infringement of any of our patents. We granted Motorola and its subsidiaries immunity from suit for our patents involving BGA packages. Remuneration to Motorola is confidential and the contract, as filed as an exhibit to our Form F-1 Registration Statement in 2000, was granted confidential treatment by the Commission. The agreement terminates on December 31, 2002.

Service Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn. Bhd. and ASE (U.S.) Inc.

This contract established ASE (U.S.) as our subsidiary, ASE Test Malaysia’s non-exclusive sales service and sales support agent in Europe and North America for its products and services. For such services, our subsidiary pays ASE (U.S.) 12.5% of their monthly incurred services associated costs and expenses plus 10%. ASE (U.S.) agreed to reimburse our subsidiary for expenses for any employee traveling to the U.S. or Europe if such travel was necessary to ASE (U.S.)’s services. This agreement will expire on June 30, 2001.

Service Agreement dated as of July 1, 2000 between ASE Test Inc. and ASE (U.S.) Inc.

This contract established ASE (U.S.) as our subsidiary, ASE Test Inc.’s non-exclusive sales service and sales support agent in Europe and North America for its products and services. For such services, our subsidiary pays ASE (U.S.) 15% of their monthly incurred services associated costs and expenses plus 10%. ASE (U.S.) agreed to reimburse our subsidiary for expenses for any employee traveling to the U.S. or Europe if such travel was necessary to ASE (U.S.)’s services. This agreement will expire on June 30, 2001.

Service Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and ASE (U.S.) Inc.

This contract established ASE (U.S.) as our subsidiary, ASE Korea’s non-exclusive sales service and sales support agent in Europe and North America for its products and services. For such services, our subsidiary pays ASE (U.S.) 5% of their monthly incurred services associated costs and expenses plus 10%. ASE (U.S.) agreed to reimburse our subsidiary for expenses for any employee traveling to the U.S. or Europe if such travel was necessary to ASE (U.S.)’s services. This agreement will expire on June 30, 2001.

Service Agreement dated as of July 1, 2000 between ASE (Chung-Li) Inc. and ASE (U.S.) Inc.

This contract established ASE (U.S.) as our subsidiary, ASE Chung Li's non-exclusive sales service and sales support agent in Europe and North America for its products and services. For such services, our subsidiary pays ASE (U.S.) 10% of their monthly incurred services associated costs and expenses plus 10%. ASE (U.S.) agreed to reimburse our subsidiary for expenses for any employee traveling to the U.S. or Europe if such travel was necessary to ASE (U.S.)'s services. This agreement will expire on June 30, 2001.

Service Agreement dated as of July 1, 2000 between ASE Inc. and ASE (U.S.) Inc.

This contract established ASE (U.S.) as our non-exclusive sales service and sales support agent in Europe and North America for our products and services. For such services, we pay ASE (U.S.) 50% of their monthly incurred services associated costs and expenses plus 10%. ASE (U.S.) agreed to reimburse us for expenses for any employee traveling to the U.S. or Europe if such travel was necessary to ASE (U.S.)'s services. This agreement will expire on June 30, 2001.

Commission Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn, Bhd. and Gardex International Limited

This contract established Gardex as our subsidiary, ASE Test Malaysia's non-exclusive worldwide sales agent for all its products and services. For such services, our subsidiary pays Gardex monthly, in respect of net export sales outside Malaysia, 0.7% of the sales amount for monthly sales. This agreement expires on June 30, 2001

Commission Agreement dated as of July 1, 2000 between ASE Test Inc. and Gardex International Limited

This contract established Gardex as our subsidiary, ASE Test Inc.'s non-exclusive worldwide sales agent for all its products and services. For such services, our subsidiary pays Gardex monthly, in respect of net export sales outside Taiwan, 0.7% of the sales amount for monthly sales. This agreement will expire on June 30, 2001.

Commission Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and Gardex International Limited

This contract established Gardex as our subsidiary, ASE Korea's non-exclusive worldwide sales agent for all its products and services. For such services, our subsidiary pays Gardex monthly, in respect of net export sales outside Korea, 0.6% of the sales amount for monthly sales. This agreement will expire on June 30, 2001.

Commission Agreement dated as of July 1, 2000 between ASE (Chung Li) Inc. and Gardex International Limited

This contract established Gardex as our subsidiary, ASE Chung Li's non-exclusive worldwide sales agent for all its products and services. For such services, our subsidiary pays Gardex monthly, in respect of net export sales outside Taiwan, 0.6% of the sales amount for monthly sales. This agreement will expire on June 30, 2001.

Commission Agreement dated as of July 1, 2000 between ASE Inc. and Gardex International Limited

This contract established Gardex as our non-exclusive worldwide sales agent for all its products and services. For such services, we pay Gardex monthly, in respect of net export sales outside Taiwan, 1.0% of the sales amount for monthly sales. This agreement will expire on June 30, 2001.

EXCHANGE CONTROLS

ROC Exchange Controls

The Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle the business, by the Ministry of Finance or by the Central Bank of China. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign

currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Trade aside, ROC companies and resident individuals may, without foreign exchange approval, remit outside the ROC foreign currency of up to US\$50,000,000 (or its equivalent) and US\$5,000,000 (or its equivalent) respectively in each calendar year. In addition, ROC companies and resident individuals may, without foreign exchange approval, remit into the ROC foreign currency of up to US\$50,000,000 (or its equivalent) and US\$5,000,000 (or its equivalent) respectively in each calendar year. The above limits apply to remittances involving a conversion of NT Dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium-and long-term foreign debt with the Central Bank of China.

In addition, foreign persons may, subject to specified requirements, but without foreign exchange approval of the Central Bank of China, remit outside and into the ROC foreign currencies of up to US\$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT Dollars to a foreign currency and vice versa. The above limit does not, however, apply to the conversion of NT Dollars into other currencies, including U.S. Dollars, from the proceeds of sale of any underlying shares withdrawn from a depositary receipt facility.

TAXATION

ROC Taxation

The following discussion is the opinion of Lee and Li. The discussion describes the principal ROC tax consequences of the ownership and disposition of ADSs representing common shares to a non-resident individual or entity. It applies to you only if you are:

- an individual who is not a ROC citizen, who owns ADSs and who is not physically present in the ROC for 183 days or more during any calendar year; or
- a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC for profit-making purposes and has no fixed place of business or other permanent establishment in the ROC.

You should also consult your tax advisors concerning the ROC tax consequences of owning ADSs.

Dividends

Dividends declared by us out of our retained earnings and distributed to you are subject to ROC withholding tax, currently at the rate of 20%, on the amount of the distribution in the case of cash dividends or on the par value of the common shares in the case of stock dividends. However, a 10% ROC retained earnings tax paid by us on our undistributed after-tax earnings, if any, would provide a credit up to 10% of the gross amount of any dividends declared out of such earnings that would reduce the 20% ROC tax imposed on these distributions.

Dividends paid by us out of our capital reserves previously were not subject to ROC withholding tax. However, due to the fact that a tax ruling confirming the foregoing has been removed from the government tax publication, it is now unclear whether dividends paid out of capital reserve are free from ROC withholding tax. The ROC tax authority is currently studying the issue.

Capital Gains

Under ROC law, capital gains on share securities transactions are exempt from income tax.

Subscription Rights

Distributions of statutory subscription rights for common shares in compliance with ROC law are not subject to any ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are exempted from income tax but are subject to securities transaction tax at the rate of 0.3% of the gross amount received. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to capital gains tax at the rate of:

- 35% of the gains realized if you are a natural person; or
- 25% of the gains realized if you are an entity that is not a natural person.

Subject to compliance with ROC law, we, at our sole discretion, can determine whether statutory subscription rights shall be evidenced by issuance of securities.

Securities Transaction Tax

A securities transaction tax, at the rate of 0.3% of the gross amount received, will be withheld upon a sale of common shares in the ROC. Transfers of ADSs are not subject to ROC securities transaction tax. Withdrawal of common shares from the deposit facility is not subject to ROC securities transaction tax.

Estate and Gift Tax

ROC estate tax is payable on any property within the ROC of a deceased who is an individual, and ROC gift tax is payable on any property within the ROC donated by any such person. Estate tax is currently payable at rates ranging from 2% of the first NT\$600,000 to 50% of amounts over NT\$100,000,000. Gift tax is payable at rates ranging from 4% of the first NT\$600,000 to 50% of amounts over NT\$45,000,000. Under ROC estate and gift tax laws, common shares issued by ROC companies are deemed located in the ROC regardless of the location of the holder. It is unclear whether a holder of ADSs will be considered to hold common shares for this purpose since there is no authority directly indicating whether an ADR holder will be treated as owning the shares represented by the ADR. However, despite this lack of direct authority, we are of the view that a holder of ADSs will not be subject to the ROC estate and gift tax because (1) the ADSs are not considered property within the ROC and (2) the transfer of ADSs is not deemed to be a transfer of the underlying common shares.

Tax Treaty

The ROC does not have an income tax treaty with the United States. On the other hand, the ROC has income tax treaties with Indonesia, Singapore, South Africa, Australia, Vietnam, New Zealand, Malaysia, Macedonia, Swaziland and Gambia, which may limit the rate of ROC withholding tax on dividends paid with respect to common shares of ROC companies. It is unclear whether if you hold ADSs, you will be considered to hold common shares for the purposes of these treaties. Accordingly, if you may otherwise be entitled to the benefits of the relevant income tax treaty, you should consult your tax advisors concerning your eligibility for the benefits with respect to the ADSs.

United States Federal Income Taxation

The following discussion describes the material U.S. federal income tax consequences of the acquisition, ownership and disposition of ADSs to those U.S. holders described below. For these purposes, you are a U.S. holder if you are a beneficial owner of ADSs that, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation organized under the laws of the United States or of any political subdivision of the United States; or
- an estate or trust the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source.

This discussion only applies to ADSs that you hold as capital assets.

This discussion assumes that ASE Inc. will not be considered a passive foreign investment company. Please see our discussion of the passive foreign investment company rules below.

Please note that this discussion does not address all of the tax consequences that may be relevant in light of your particular circumstances. In particular, it does not address all of the tax consequences that may be relevant to investors subject to special rules, including:

- persons subject to the alternative minimum tax;
- insurance companies;
- tax-exempt entities;
- dealers or traders in securities;
- financial institutions;
- persons who hold or will hold common shares as part of an integrated investment, including a straddle, hedging or conversion transaction, comprised of common shares and one or more other positions for tax purposes;
- persons whose functional currency is not the U.S. Dollar; or
- persons who control 10% or more of our voting stock.

This discussion is based on the Internal Revenue Code of 1986, Treasury Regulations, administrative announcements and judicial decisions currently in effect. These laws and regulations may change, possibly with retroactive effect. This discussion is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

For U.S. federal income tax purposes, a U.S. holder of ADSs should be treated as the holder of the common shares represented by the ADSs. However, the U.S. Treasury has expressed concerns that parties to whom depositary shares are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by the holders of ADSs. Accordingly, the analysis of the creditability of ROC taxes described below could be affected by future actions that may be taken by the U.S. Treasury.

Please consult your tax advisors with regard to the application of the U.S. federal income tax laws to ADSs as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdictions.

Dividends

Any dividends you receive on ADSs, including the amount of any ROC taxes withheld thereon, reduced by any credit against the withholding tax on account of the 10% retained earnings tax imposed on us, other than *pro rata* distributions of common shares to all shareholders including holders of ADSs, will constitute foreign source dividend income to the extent paid out of earnings and profits as calculated for U.S. federal income tax purposes. The amount you will be required to include in income for any dividend paid in NT Dollars will be equal to the U.S. Dollar value of the NT Dollars, calculated by reference to the exchange rate in effect on the date the depositary receives the dividend. If you realize gain or loss on a sale or other disposition of NT Dollars, it will be U.S. source ordinary income or loss. You will not be entitled to a dividends-received deduction for dividends you receive.

Subject to applicable limitations and restrictions, the ROC taxes withheld from dividend distributions, reduced by any credit against the withholding tax on account of the 10% retained earnings tax, will be eligible for credit against your U.S. federal income tax liabilities. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income including, amongst others, "passive income", "financial services income" and "general limitation income". For this purpose, dividends paid with respect to the common shares will constitute "passive income" or, in the case of U.S. financial services providers may be, "financial services income".

Pro rata distributions of common shares by a company to its shareholders, including holders of ADSs, will not be subject to U.S. federal income tax. Accordingly, these distributions will not give rise to U.S. federal income against which the ROC tax imposed on these distributions may be credited. Any ROC tax of this nature will only be creditable against a

U.S. holder's U.S. federal income tax liability with respect to income in the "general limitation income" class and not "passive income" or "financial services income", subject to applicable limitations and restrictions.

Capital Gains

You will recognize capital gain or loss for U.S. federal income tax purposes on the sale or exchange of ADSs in the same manner as you would on the sale or exchange of any other common shares held as capital assets. The gain or loss will be U.S. source income or loss. You should consult your own tax advisor about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Deposits and withdrawals of common shares by a U.S. holder in exchange for ADSs will not result in realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Based on management estimates and the available financial data, we do not believe that we were a passive foreign investment company for 2000 nor do we expect to be a passive foreign investment company. In general, a foreign corporation is a passive foreign investment company for any taxable year in which (1) 75% or more of its gross income consists of passive income (such as dividends, interest, rents and royalties) or (2) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. The determination of whether we may be considered a passive foreign investment company will be based on the composition of our income and assets, as well as those of our subsidiaries and certain affiliates, from time to time. Since the composition of our income and assets will vary over time, there can be no assurance that we will not be considered a passive foreign investment company for any fiscal year. If we are a passive foreign investment company at any time that you own ADSs:

- Any gain realized on a disposition of ADSs and certain "excess distributions" will be allocated over your holding period in the ADSs. Amounts allocated to the year of the sale and any year prior to our becoming a passive foreign investment company will be treated as ordinary income. Amounts allocated to other years will be assessed at the highest rates applicable for corporate or individual taxpayers, as appropriate, for the relevant year and will be subject to an interest charge; and
- You will be subject to additional U.S. tax filing requirements for each year that you hold ADSs.

Estate and Gift Tax

As discussed in "— ROC Taxation", you might be required to pay ROC estate and gift tax. You should consult your tax advisor regarding the effect of these taxes.

DOCUMENTS ON DISPLAY

The documents concerning us which are referred to herein may be inspected at the Securities and Exchange Commission. You may read and copy any document filed or furnished by us at the SEC's public reference rooms in Washington, D.C., New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the reference rooms.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to financial market risks relates primarily to changes in interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative financial instruments, the application of which is primarily for hedging, and not for speculative, purposes.

FOREIGN CURRENCY EXCHANGE RATE RISK

Our foreign currency exposures give rise to market risk associated with exchange rate movements against the NT Dollar, our functional currency. Foreign currency denominated liabilities as of December 31, 2000 include U.S. Dollar debt and Japanese yen debt. As of December 31, 2000, approximately 69% of our cash and accounts receivable were denominated in U.S. Dollars, with a substantial portion of the remainder denominated in NT Dollars. As of December 31, 2000, approximately 86% of our accounts payable and payable for fixed assets were denominated in currencies other than the NT Dollar. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, we may utilize currency forward contracts from time to time to reduce the impact of foreign currency fluctuations on our results of operations. Our policy is to account for these contracts on a mark-to-market rate basis, and the premiums are amortized on a straight-line basis over the life of the contract. As of December 31, 2000, we have seven foreign currency forward exchange contracts outstanding, all to hedge Malaysian Ringgit against U.S. Dollars or Japanese Yen. These contracts were for a total of US\$6,045,000 and JPY150,000,000. For more information concerning these forward exchange contracts, please see Note 23(b) to Notes to Consolidated Financial Statements. The following table provides information about our significant obligations that are sensitive to foreign currency exchange rate fluctuations. The principal amounts are presented by year of maturity and translated into U.S. Dollars based on the current exchange rate.

	As of December 31, 2000							
	Expected Maturity Date							
	2001	2002	2003	2004	2005	Total	Fair Value	
	(in millions)							
Short-term debt:								
U.S. Dollars average interest rate: 7.4% to 9.1%	US\$	28	—	—	—	US\$28	US\$ 28	
Japanese yen average interest rate: 0.975% to 1.6%	JPY\$	7,671	—	—	—	JPY\$ 7,671	JPY\$ 7,671	
Swiss France average interest rate: 4.505% to 4.905%	CHF\$	3.5	—	—	—	CHF\$ 3.5	CHF\$ 3.5	
Malaysia Ringgit average interest rate: 3.54% to 4.2%	MYR\$	67.3	—	—	—	MYR\$ 67.3	MYR\$ 67.3	
Long-term borrowing:								
U.S. Dollars average interest rate: 7.75% to 10.50%	US\$	12.5	US\$ 256.3	US\$ 9.6	US\$ 180.9	US\$ 10.0	US\$ 469.3	US\$ 469.3
Japanese yen average interest rate: 1.1% to 5%	JPY\$	866.7	JPY\$4,202.9	—	—	JPY\$ 5,069.6	JPY\$ 5,069.6	

INTEREST RATE RISK

Our exposure to interest rate risks relates primarily to our long-term floating rate debt, which is normally incurred to support our corporate activities, primarily capital expenditures. We currently do not enter into derivative transactions with regard to interest rates, but would consider engaging in currency interest rate swaps to lock in favorable currency and interest rate levels from time to time, if available, on terms considered attractive by us. No derivative contract was outstanding as of December 31, 2000.

Item 12. Description of Securities Other Than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS

In July 1995, we established with Citibank, N.A., as GDS depository, two depository receipts facilities, one for the purpose of facilitating the issuance of GDSs sold under Rule 144A and the other for the purpose of facilitating the issuance of GDSs sold pursuant to Regulation S. Each GDS represented five of our common shares. In December 1999, some of our affiliates offered and sold additional GDSs. The GDSs sold under Rule 144A were designated as eligible for trading in the PORTAL System of the National Association of Securities Dealers, Inc. in the United States. The GDSs sold pursuant to Regulation S were listed on the Stock Exchange of Singapore and the Luxembourg Stock Exchange and quoted on SEAQ International.

Concurrently with our offering of ADSs on September 25, 2000, we arranged with our GDS depository and our ADS depository for the automatic conversion of each of our outstanding GDSs sold pursuant to Regulation S into one ADS. The ADSs issued upon conversion of our GDSs sold pursuant to Regulation S were identified by a new CUSIP number. We have listed these ADSs for trading on the NYSE under the symbol "ASX". We delisted these GDSs from the Stock Exchange of Singapore and the Luxembourg Stock Exchange and suspended quotation on SEAQ International.

Concurrently with our offering of ADSs of September 25, 2000, we offered to exchange one ADS for each of our outstanding GDSs sold under Rule 144A. The ADSs issued upon exchange of the GDSs sold under Rule 144A are identified by the same CUSIP number as that which identifies the ADSs issued upon conversion of the GDSs sold pursuant to Regulation S as described above, and all of those ADSs are fully fungible for trading on the NYSE. Upon the completion of the exchange offer, we instructed the GDS depository to terminate the global depository receipt facility.

PART III

Item 17. Financial Statements.

The Company has elected to provide financial statements for fiscal year 2000 and the related information pursuant to Item 18.

Item 18. Financial Statements.

The consolidated financial statements of the Company and the report thereon by its independent auditors listed below are attached hereto as follows:

- (a) Report of Independent Auditors of the Company dated March 27, 2001 (page F-1).
- (b) Consolidated Balance Sheets of the Company and subsidiaries as of December 31, 1999 and 2000 (page F-3).
- (c) Consolidated Statements of Income of the Company and subsidiaries for the years ended December 31, 1998, 1999 and 2000 (page F-4).
- (d) Consolidated Statements of Changes in Stockholders' Equity of the Company and subsidiaries for the years ended December 31, 1998, 1999 and 2000 (page F-6).
- (e) Consolidated Statements of Cash Flows of the Company and subsidiaries for the years ended December 31, 1998, 1999 and 2000 (page F-9).
- (f) Notes to Consolidated Financial Statements of the Company and subsidiaries (pages F-11).

Item 19. Exhibits.

1. (a) Memorandum and Articles of Association of the Registrant (incorporating all amendments as of July 11, 2000) (incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form F-1 (file no. 333-44622) (the "Form F-1")).
2. (a) Amended and Restated Deposit Agreement among ASE Inc., Citibank N.A., as depositary, and Holders and Beneficial Holders of American Depositary Shares evidenced by American Depositary Shares evidenced by American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (incorporated by reference to Exhibit 4.1 to the Form F-1).

(b) Form of Underwriting Agreement (incorporated by reference to Exhibit 1.1 to the Form F-1).
4. (a) Stock Purchase Agreement dated as of March 15, 1999 between ASE Test Limited and the Selling Shareholder relating to the purchase and sale of 12,250,000 shares of Common Stock of ISE Labs, Inc. (incorporated by reference to Exhibit 10.1 of ASE Test Limited's registration statement on Form F-3 (File No. 333-10892) which was declared effective by the SEC on December 22, 1999 (the "ASE Test 1999 Registration Statement")).

(b) Asset Purchase Agreement dated as of July 3, 1999 among ASE (Chung Li) Inc., ASE Inc., Motorola Electronics Taiwan, Ltd. and Motorola, Inc. (incorporated by reference to Exhibit 10.2 to the ASE Test 1999 Registration Statement).

(c) Stock Purchase Agreement dated as of July 3, 1999 among ASE Investment (Labuan) Inc., ASE Inc., Motorola Asia Ltd. and Motorola, Inc. relating to the purchase and sale of 100% of the Common Stock of Motorola Korea Ltd. (incorporated by reference to Exhibit 10.3 to the ASE Test 1999 Registration Statement).

(d) Manufacturing Services Agreement dated as of July 3, 1999 among Motorola, Inc., ASE Inc. and ASE (Chung Li) Inc. (incorporated by reference to Exhibit 10.4 to the Form F-1).

(e) Manufacturing Services Agreement dated as of July 3, 1999 among Motorola, Inc., ASE Inc. and ASE (Korea) Inc. (incorporated by reference to Exhibit 10.5 to the Form F-1).

(f) BGA Immunity Agreement dated as of January 25, 1994 between ASE Inc. and Motorola, Inc. (incorporated by reference to Exhibit 10.6 to the Form F-1).

(g) Land Lease effective October 1, 1999 until September 30, 2009 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.14 to the Form F-1).

(h) Land Lease effective September 1, 1999 until August 30, 2009 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.15 to the Form F-1).

(i) Land Lease effective April 1, 1998 until March 31, 2008 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.16 to the Form F-1).

(j) Land Lease effective October 1, 1997 until September 30, 2007 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.17 to the Form F-1).

(k) Land Lease effective October 1, 1997 until September 30, 2007 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.18 to the Form F-1).

(l) Land Lease effective August 1, 1997 until July 31, 2007 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.19 to the Form F-1).

- (m) Land Lease effective January 1, 1996 until December 31, 2005 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.20 to the Form F-1).
- (n) Land Lease effective January 1, 1995 until October 31, 2005 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.21 to the Form F-1).
- (o) Land Lease effective October 1, 1999 until September 30, 2009 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.14 to the Form F-1).
- (p) Land Lease effective July 1, 1995 until June 30, 2005 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.22 to the Form F-1).
- (q) Land Lease effective July 1, 1995 until June 30, 2005 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.23 to the Form F-1).
- (r) Land Lease effective August 1, 1994 until July 31, 2004 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.24 to the Form F-1).
- (s) Land Lease effective April 6, 1994 until April 5, 2004 between ASE Inc. and the Nantze Export Processing Zone (incorporated by reference to Exhibit 10.25 to the Form F-1).
- (t) Exchange Agency Agreement between ASE Inc. and Citibank, N.A., as exchange agent (incorporated by reference to Exhibit 10.26 to the Form F-1).
- (u) License Agreement dated as of January 16, 2001 between 1st Silicon (Malaysia) Sdn. Bhd. and ASE Electronics (M) Sdn. Bhd.
- (v) Service Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn. Bhd. and ASE (U.S.) Inc.
- (w) Service Agreement dated as of July 1, 2000 between ASE Test Inc. and ASE (U.S.) Inc.
- (x) Service Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and ASE (U.S.) Inc.
- (y) Service Agreement dated as of July 1, 2001 between ASE (Chung-Li) Inc. and ASE (U.S.) Inc.
- (z) Service Agreement dated as of July 1, 2001 between Advanced Semiconductor Engineering, Inc. and ASE (U.S.) Inc.
- (aa) Commission Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn. Bhd. and Gardex International Limited.
- (bb) Commission Agreement dated as of July 1, 2000 between ASE Test Inc. and Gardex International Limited.
- (cc) Commission Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and Gardex International Limited.
- (dd) Commission Agreement dated as of July 1, 2000 between ASE (Chung Li) Inc. and Gardex International Limited.
- (ee) Commission Agreement dated as of July 1, 2000 between Advanced Semiconductor Engineering, Inc. and Gardex International Limited.
- (ff) Land Lease effective July 1, 2000 until June 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.

- (gg) Land Lease effective July 1, 2000 until June 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.
- (hh) Land Lease effective October 1, 2000 until September 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.
- (ii) Land Lease effective March 16, 2001 until March 15, 2011 between ASE Inc. and the Nantze Export Processing Zone.
- (jj) Land Lease effective March 1, 2001 until February 28, 2011 between ASE Inc. and the Nantze Export Processing Zone.
- (kk) First Amendment to Lease Agreement dated June 7, 2000 between ISE Labs, Inc. and RND Funding Company, Inc.
- (ll) Sub-lease Agreement dated October 3, 2000 between ISE Labs Singapore Pte Ltd and Wan Tien Realty (Pte) Ltd.
- (mm) Sub-lease Agreement dated June 3, 1999 between ISE Labs Singapore Pte Ltd and Wan Tien Realty (Pte) Ltd.
- (nn) Sublease Agreement dated June 2000 between ISE Labs, Inc. and Cirrus Logic, Inc.
- (oo) Sublease Agreement dated June 2000 between ISE Labs, Inc. and Cirrus Logic, Inc.
- (pp) Tenancy Agreement dated April 1, 1999 between ISE Labs (HK) Limited and Hing Seng Plastic Factory Limited
- (qq) Lease dated September 28, 2000 between ISE Labs Hong Kong Limited and Shinano Kenshi (HK) Co., Ltd.
- (rr) Lease dated October 20, 2000 between ISE Labs Hong Kong and Bless Silver Development Limited.
- (ss) Lease Agreement between ASE Test Malaysia and Penang Development Corporation (incorporated by reference to Exhibit 2(c) to ASE Test Limited's annual report on Form 20-F for the year ended December 31, 1997).
- (tt) Sale and Purchase Agreement between Afasia Knitting Factory (Malaysia) Sdn. Bhd. and ASE Electronics (M) Sdn. Bhd. dated February 24, 1997

8. List of Subsidiaries

The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of any instrument which defines the rights of holders of long-term debt of the Company and its consolidated subsidiaries.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED SEMICONDUCTOR ENGINEERING, INC.

By: /s/ JOSEPH TUNG
Joseph Tung
Chief Financial Officer

Date: June 28, 2001

EXHIBITS INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Sequentially Numbered Page</u>
4(u)	License Agreement dated as of January 16, 2001 between 1 st Silicon (Malaysia) Sdn. Bhd. and ASE Electronics (M) Sdn. Bhd.	
4(v)	Service Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn. Bhd. and ASE (U.S.) Inc.	
4(w)	Service Agreement dated as of July 1, 2000 between ASE Test Inc. and ASE (U.S.) Inc.	
4(x)	Service Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and ASE (U.S.) Inc.	
4(y)	Service Agreement dated as of July 1, 2001 between ASE (Chung-Li) Inc. and ASE (U.S.) Inc.	
4(z)	Service Agreement dated as of July 1, 2001 between Advanced Semiconductor Engineering, Inc. and ASE (U.S.) Inc.	
4(aa)	Commission Agreement dated as of July 1, 2000 between ASE Electronics (M) Sdn. Bhd. and Gardex International Limited.	
4(bb)	Commission Agreement dated as of July 1, 2000 between ASE Test Inc. and Gardex International Limited.	
4(cc)	Commission Agreement dated as of July 1, 2000 between ASE (Korea) Inc. and Gardex International Limited	
4(dd)	Commission Agreement dated as of July 1, 2000 between ASE (Chung Li) Inc. and Gardex International Limited.	
4(ee)	Commission Agreement dated as of July 1, 2000 between Advanced Semiconductor Engineering, Inc. and Gardex International Limited.	
4(ff)	Land Lease effective July 1, 2000 until June 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.	
4(gg)	Land Lease effective July 1, 2000 until June 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.	
4(hh)	Land Lease effective October 1, 2000 until September 30, 2010 between ASE Inc. and the Nantze Export Processing Zone.	
4(ii)	Land Lease effective March 16, 2001 until March 15, 2011 between ASE Inc. and the Nantze Export Processing Zone.	
4(jj)	Land Lease effective March 1, 2001 until February 28, 2011 between ASE Inc. and the Nantze Export Processing Zone.	
4(kk)	First Amendment to Lease Agreement dated June 7, 2000 between ISE Labs, Inc. and RND Funding Company, Inc.	

<u>Exhibit Number</u>	<u>Description</u>	<u>Sequentially Numbered Page</u>
4(ll)	Sub-lease Agreement dated October 3, 2000 between ISE Labs Singapore Pte Ltd and Wan Tien Realty (Pte) Ltd.	
4(mm)	Sub-lease Agreement dated June 3, 1999 between ISE Labs Singapore Pte Ltd and Wan Tien Realty (Pte) Ltd.	
4(nn)	Sublease Agreement dated June 2000 between ISE Labs, Inc. and Cirrus Logic, Inc.	
4(oo)	Sublease Agreement dated June 2000 between ISE Labs, Inc. and Cirrus Logic, Inc.	
4(pp)	Tenancy Agreement dated April 1, 1999 between ISE Labs (HK) Limited and Hing Seng Plastic Factory Limited.	
4(qq)	Lease dated September 28, 2000 between ISE Labs Hong Kong Limited and Shinano Kenshi (HK) Co., Ltd.	
4(rr)	Lease dated October 20, 2000 between ISE Labs Hong Kong and Bless Silver Development Limited.	
4(tt)	Sale and Purchase Agreement between Afasia Knitting Factory (Malaysia) Sdn. Bhd. and ASE Electronics (M) Sdn. Bhd. dated February 24, 1997.	
8	List of Subsidiaries.	

LICENCE AGREEMENT

THIS LICENCE AGREEMENT is made this 16th day of January, 2001.

BETWEEN

1st Silicon (Malaysia) Sdn Bhd (Company No. 456668-U), a company incorporated and registered in Malaysia and having its registered office at 1, Silicon Drive, Sama Jaya Free Industrial Zone, 93350 Kuching, Sarawak (hereinafter referred to as “THE LICENSOR” which expression where the context so admits shall include its successors, assigns and representatives) of the one part

AND

ASE Electronics (M) Sdn Bhd (No. 212592-H), a company incorporated and registered in Malaysia and having its registered office at Plot 20, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Penang (hereinafter referred to as “THE LICENSEE” which expression where the context so admits shall include its successors, assigns and representatives) of the other part.

WHEREAS THE LICENSOR is the registered owner of all that parcel of land including all the Wafer Fab Plant and the appurtenances thereof situate at the Muara Tebas Land District and known as Lot Number 1270, Block 12 with the business address registered as 1, Silicon Drive, Sama Jaya Free Industrial Zone, 93350 Kuching, Sarawak, Malaysia (“the said land”).

WHEREAS THE LICENSOR is desirous of permitting THE LICENSEE to occupy all that space on the test floor area within the Building known as the Wafer Fabrication Plant situate on the said land as more clearly outlined in red in the attached Plan, the location and the area to be occupied (“the Test Floor Area”) are more particularly provided in Schedule III annexed hereto for the purpose of the Wafer test/sort activities upon the terms and conditions as set out below.

NOW IT IS AGREED AS FOLLOWS:

1. THE LICENSEE shall have full right under the license to enter upon the Test Floor Area and occupy the Work Station(s) built within the Test Floor Area for the purpose of the Wafer test/sort activities. The term “Work Station(s)” means a combination of one tester and one prober or one tester and a number of probers including any updated, improved or modified version of such tester or prober(s) thereof to be located in an area as defined in Schedule I hereof.
2. THE LICENSEE shall pay to THE LICENSOR for the occupation of the Work Station(s) a fee in the sum as set out in Schedule II hereto payable on the effective date of this agreement on a pro-rated basis in the event that the move-in period is less than one month and thereafter within the first week or every month.
3. THE TERM of the licence shall be for a period of two (2) years commencing on the date of the equipment move in (“the effective date”) but if after the expiry of the term THE LICENSEE continues to use the Work Station(s) without objection by THE LICENSOR then THE LICENSOR shall be subject to fourteen (14) days notice of termination by either party at any time but otherwise upon the terms of this agreement. The term “equipment” means all or any equipment use or required for the purpose of the Wafer test/sort activities.
- 4.0 THE LICENSOR shall not during the continuance of this Licence and without the written consent of THE LICENSEE grant to any person other than THE LICENSEE any licence to occupy the Work Station(s) designated to THE LICENSEE for any purpose.
- 4.1 THE LICENSOR shall permit THE LICENSEE to remove and take away from the Work Station(s) all fixtures and fittings which belong to THE LICENSEE at THE LICENSEE’s costs and expenses and without damage to the Work Station(s) or the Test Floor Area.
- 5.0 THE LICENSEE is aware and acknowledges that there will be other occupiers within the test floor area and agrees that it shall not in any way impede or obstruct the rights of the other occupiers of the test floor area or in any way cause a nuisance to the other occupiers of the test floor area.

Similarly the LICENSOR will not allow its employees or its agents or its visitors to impede or obstruct the rights of the Licensee or in any way cause a nuisance to the Licensee at the Test Floor Area.

- 5.1 THE LICENSEE shall during the continuance of this licence maintain the Work Station(s) and all fixtures and fittings (if any) in it in tenable condition.
- 5.2 THE LICENSEE shall not permit or suffer any of THE LICENSOR'S articles to be removed from the Work Station(s), Test Floor Area or Building without the written consent of THE LICENSOR.
- 5.3 THE LICENSEE shall use the Work Station(s) for the purpose as stated herein only.
- 5.4 THE LICENSEE shall insure and keep insured through out the continuance of this agreement its equipment, spares and hardware from loss or damage against fire, explosion and theft. Such premiums will be borne by THE LICENSEE.
6. During the term of this Agreement, THIS LICENCE may be terminated:-
 - 6.1 By either party by giving six (6) months written notice;
 - 6.2 By either party of not less than one (1) month written notice if the other party fails to perform or observe any of the terms or conditions of this agreement to be performed and observed by the respective party;
 - 6.3 By either party without prior notice if:
 - 6.3.1 either party becomes bankrupt or has a receiving order made against it or enters into any composition or arrangement with creditors generally;
 - 6.3.2 either party enters into liquidation whether compulsory or voluntary other than for a purpose of reconstruction.;
 - 6.3.3 THE LICENSEE suffers any execution to be levied upon its goods in the Work Station(s).
7. THE LICENSEE shall be responsible for the facilitation and defacilitization of the equipment from the distribution board to the Work Station at its own costs. THE LICENSOR will assist THE LICENSEE in looking for a Sub-Contractor to do the said facilitation and defacilitization and to pay up-front fees to the said Sub-Contractor. THE LICENSEE shall reimburse any or all fees charges including service tax incurred by THE LICENSOR in connection with the above work. The facilitation and defacilitization of the equipment from the main or facility equipment to the distribution board shall be the responsibility of THE LICENSOR at no costs to THE LICENSEE.
8. THE LICENSOR will supply CDA, power-Vac, water, plant vacuum to the Work Station(s) or for use of THE LICENSEE and in common with THE LICENSOR THE LICENSEE will be entitled to use air-conditioning, electricity, lighting and collection of commercial waste deposited by THE LICENSEE at the storage facility designated by THE LICENSOR at no costs to THE LICENSEE. However, THE LICENSEE shall bear all telephone bills incurred by THE LICENSEE including any costs of repair in respect of the above services and items provided by THE LICENSOR, which are directly caused by THE LICENSEE during the term of this Agreement or licence.
9. THE LICENSOR will provide a maintenance room of approximately 300 square feet at the Test Floor Area to THE LICENSEE for storage and maintenance of equipment tool in connection with the wafer sort activities.
10. This Agreement binds the assigns and successors in title of each of the parties hereto.
11. The law applicable in any action arising out of this Agreement shall be the governing law of Malaysia applicable in Sarawak and the parties hereto submit themselves to the jurisdiction of the Malaysian Courts.
12. THE LICENSEE shall during the term of this agreement display clearly on THE LICENSEE'S vehicle the relevant security passes to be issued to THE LICENSEE by THE LICENSOR when entering THE LICENSOR'S premises and THE LICENSEE shall strictly abide to all the rules and regulations of THE LICENSOR.

13. The LICENSEE shall be entitled to the use and enjoyment of the common areas, open spaces, staircases, lifts, washroom, lavatories, cafeteria, pantry, changing rooms and car parking areas save for those areas designated by the Licensee as restricted areas.
14. NOTICES GIVEN under or in any way connected with this Agreement or the licence hereby created shall be in writing and be sufficiently served on THE LICENSEE if forwarded to THE LICENSEE by registered post to the address of THE LICENSEE herein before stated and shall be sufficiently served on THE LICENSOR if sent to THE LICENSOR at its above mentioned address by registered post and shall be deemed to be given at the time when in due course of post it would be delivered at the address to which it is sent to.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first hereinbefore written.

SIGNED by)
 for and on behalf of)
1st SILICON (MALAYSIA) SDN. BHD.) /s/ Claudio G. Loddo
 (456668-U) (THE LICENSOR))
 in the presence of:-)

SIGNED by)ASE ELECTRONICS (M) SDN. BHD.
 for and on behalf of)
ASE Electronics (M) Sdn Bhd) /s/ David Hsiang
 (212592-H) (THE LICENSEE))
 in the presence of:-)Authorized Signatories

SCHEDULE I

Item	Particulars
Location of the Work Station(s)	Test Floor area of approximately 3,000 square feet, Ground Floor, Wafer Fab Plant, situate at 1 Silicon Drive, Sama Jaya Free Industrial Zone, 93350 Kuching

SCHEDULE II

Item	Workstation A	Workstation B	Workstation C	Workstation D
Tester	1	1	1	1
Prober	1	2	3	4
Rental (USD)	2500.00	3850.00	5260.00	6680.00

SERVICE AGREEMENT

PARTIES: ASE (U.S.) INC. ("ASE US")
(a California corporation)

ASE Electronics (M) Sdn Bhd ("ASEM")
(a Malaysian Corporation)

DATE: July 1, 2000

ASEM hereby retains ASE US to be its Service Agent to provide after sales service and sales support ("Services") to its Europe and North America customers ("Customers") for present and future products and services as specified by ASEM as follows

1. Service to rendered

- (a) To facilitate market information collection, Customer and business identification, and Customer inquiry dissemination, and;
- (b) To liaise with ASEM and Customers re price, delivery and other key terms of the sales contract as ASEM may from time to time specify in writing, and;
- (c) To monitor sales contract performance by the Customers, including acceptance of delivery, payments, etc., and;
- (d) To provide after sales services including problem solving, capacity planning coordination and other items as may be necessary.

2. Compensation to ASE US

For services hereunder, ASEM will monthly compensate ASE US as follows:

- (a) 12.5% of ASE US's monthly incurred services associated cost and expenses (excluding bonus) plus 10%.
- (b) Upon payment request, ASE US is to submit detailed monthly expense report certified by its Financial Manager for accuracy, and;
- (c) The compensation agreement is valid for one year and is subject to annual revision accepted by both parties.

3. Compensation from ASE US

ASE US agrees to pay a reasonable portion of ASEM employee's traveling expenses incurred in the United States or Europe, when the trip is deemed necessary by ASEM to assist ASE US in providing its services hereunder.

4. Term of Agreement

This Agreement is effective from July 1, 2000 and shall expire on June 30, 2001, unless earlier terminated by (i) mutual agreement or (ii) ASEM on at least 30 days' prior written notice with or without causes.

5. Representations and Covenants

- (a) ASE US agrees to perform its obligations hereunder to the extent permissible by law and the sales contracts between ASEM and the Customers.

ASE US will not enter into any contract or agreement, nor engage in any activities, that would result in a conflict with ASE US's duties under this Agreement.

With the terms of this agreement, ASE US shall not have the authority to make any commitments whatsoever on behalf of ASEM, as agent or otherwise, or to bind ASEM in any respect.

- (b) Each party will provide to the other on a regular basis such information as may be required to enable the other party to be assured of compliance with this Agreement.
- (c) Unless required by laws, all confidential information received or learned by ASE US relating to ASEM or its business and products shall be kept in confidence by ASE US and neither used by ASE US nor disclosed to others for any purpose inconsistent with this Agreement.
- (d) ASE US shall use ASEM trademark only as ASEM may authorize from time to time, and ASE US shall not claim any proprietary right to or interest in such trademarks.

6. Miscellaneous

This Agreement shall be governed by the laws of the Republic of China ("ROC"). In case of any disputes arising from or in connection with this Agreement, the parties hereto consent to submit to the non-exclusive jurisdiction of the Taipei District Court.

Without the prior written consent of ASEM, ASE US shall not assign or transfer any of its rights or obligations hereunder to any other person.

This Agreement can be amended or modified only in writing signed by the parties hereto. Any communication or notice made hereunder shall be in writing and sent by way of (i) hand delivery, (ii) postage prepaid registered air mail, or (iii) facsimile to the address as follows:

ASE US:
Address:
2880 Zanker Road, Suite 106,
San Jose, CA 95134, USA

ASEM:
Address:
Phase 4, Bayan Lepas Free Trade Zone
11900 Penang, Malaysia

Telefax No: 408-432-0440

Telefax No: 604-644-8422

The notice or communication shall become effective (i) upon delivery if sent by hand delivery, (ii) upon the dispatch if sent by facsimile and confirmed by writing and (iii) upon the fifth days later than the post date if sent by air mail.

This Agreement shall in no event be construed to establish a sales agency relationship between ASEM and ASE US.

IN WITNESS WHEREOF, the parties hereto hereby have duly executed and delivered this Agreement as of the date and year first written above.

ASEM

ASE US

By /s/ David Hsiang
Name: David Hsiang
Title: Vice President

By /s/ Y. C. Hsu
Name: Y. C. Hsu
Title: General Manager

SERVICE AGREEMENT

PARTIES: ASE (U.S.) INC. ("ASE US")
(a California corporation)

ASE Test Inc. ("ASE Test")
(a Taiwan Corporation)

DATE: July 1, 2000

ASE Test Inc. ("ASE Test") hereby retains ASE US to be its Service Agent to provide after sales service and sales support ("Services") to its Europe and North America customers ("Customers") for present and future products and services as specified by ASE Test as follows

1. Service to rendered
 - (a) To facilitate market information collection, Customer and business identification, and Customer inquiry dissemination, and;
 - (b) To liaise with ASE Test and Customers re price, delivery and other key terms of the sales contract as ASE Test may from time to time specify in writing, and;
 - (c) To monitor sales contract performance by the Customers, including acceptance of delivery, payments, etc., and;
 - (d) To provide after sales services including problem solving, capacity planning coordination and other items as may be necessary.
2. Compensation to ASE US

For services hereunder, ASE Test will monthly compensate ASE US as follows:

- (a) 15% of ASE US's monthly incurred services associated cost and expenses (excluding bonus) plus 10%.
 - (b) Upon payment request, ASE US is to submit detailed monthly expense report certified by its Financial Manager for accuracy, and;
 - (c) The compensation agreement is valid for one year and is subject to annual revision accepted by both parties.
3. Compensation from ASE US

ASE US agrees to pay a reasonable portion of ASE Test employee's traveling expenses incurred in the United States or Europe, when the trip is deemed necessary by ASE Test to assist ASE US in providing its services hereunder.

4. Term of Agreement

This Agreement is effective from July 1, 2000 and shall expire on June 30, 2001, unless earlier terminated by (i) mutual agreement or (ii) ASE Test on at least 30 days' prior written notice with or without causes.

5. Representations and Covenants

- (a) ASE US agrees to perform its obligations hereunder to the extent permissible by law and the sales contracts between ASE Test and the Customers.

ASE US will not enter into any contract or agreement, nor engage in any activities, that would result in a conflict with ASE US's duties under this Agreement.

With the terms of this agreement, ASE US shall not have the authority to make any commitments whatsoever on behalf of ASE Test, as agent or otherwise, or to bind ASE Test in any respect.

- (b) Each party will provide to the other on a regular basis such information as may be required to enable the other party to be assured of compliance with this Agreement.
- (c) Unless required by laws, all confidential information received or learned by ASE US relating to ASE Test or its business and products shall be kept in confidence by ASE US and neither used by ASE US nor disclosed to others for any purpose inconsistent with this Agreement.
- (d) ASE US shall use ASE Test trademark only as ASE Test may authorize from time to time, and ASE US shall not claim any proprietary right to or interest in such trademarks.

6. Miscellaneous

This Agreement shall be governed by the laws of the Republic of China ("ROC"). In case of any disputes arising from or in connection with this Agreement, the parties hereto consent to submit to the non-exclusive jurisdiction of the Taipei District Court.

Without the prior written consent of ASE Test, ASE US shall not assign or transfer any of its rights or obligations hereunder to any other person.

This Agreement can be amended or modified only in writing signed by the parties hereto. Any communication or notice made hereunder shall be in writing and sent by way of (i) hand delivery, (ii) postage prepaid registered air mail, or (iii) facsimile to the address as follows:

ASE US:
Address:
2880 Zanker Road, Suite 106,
San Jose, CA 95134, USA

ASE Test Inc.:
Address:
10 West 5th St., Nantze EPZ,
Kaohsiung, Taiwan, R.O.C.

Telefax No: 408-432-0440

Telefax No: 886-7-363-6663

The notice or communication shall become effective (i) upon delivery if sent by hand delivery, (ii) upon the dispatch if sent by facsimile and confirmed by writing and (iii) upon the fifth days later than the post date if sent by air mail.

This Agreement shall in no event be construed to establish a sales agency relationship between ASE Test and ASE US.

IN WITNESS WHEREOF, the parties hereto hereby have duly executed and delivered this Agreement as of the date and year first written above.

ASE Test Inc.

ASE US

By /s/ Raymond Lo
Name: Raymond Lo
Title: President

By /s/ Y. C. Hsu
Name: Y. C. Hsu
Title: General Manager

SERVICE AGREEMENT

PARTIES: ASE (U.S.) INC. ("ASE US")
(a California corporation)

ASE (KOREA) INC.,
("ASEKR") (a Korea Corporation)

DATE: July 1, 2000

ASEKR hereby retains ASE US to be its Service Agent to provide after sales service and sales support ("Services") to its Europe and North America customers ("Customers") for present and future products and services as specified by ASEKR as follows

1. Service to rendered

- (a) To facilitate market information collection, Customer and business identification, and Customer inquiry dissemination, and;
- (b) To liaise with ASEKR and Customers re price, delivery and other key terms of the sales contract as ASEKR may from time to time specify in writing, and;
- (c) To monitor sales contract performance by the Customers, including acceptance of delivery, payments, etc., and;
- (d) To provide after sales services including problem solving, capacity planning coordination and other items as may be necessary.

2. Compensation to ASE US

For services hereunder, ASEKR will monthly compensate ASE US as follows:

- (a) 5% of ASE US's monthly incurred services associated cost and expenses (excluding bonus) plus 10%.
- (b) Upon payment request, ASE US is to submit detailed monthly expense report certified by its Financial Manager for accuracy, and;
- (c) The compensation agreement is valid for one year and is subject to annual revision accepted by both parties.

3. Compensation from ASE US

ASE US agrees to pay a reasonable portion of ASEKR employee's traveling expenses incurred in the United States or Europe, when the trip is deemed necessary by ASEKR to assist ASE US in providing its services hereunder.

4. Term of Agreement

This Agreement is effective from July 1, 2000 and shall expire on June 30, 2001, unless earlier terminated by (i) mutual agreement or (ii) ASEKR on at least 30 days' prior written notice with or without causes.

5. Representations and Covenants

- (a) ASE US agrees to perform its obligations hereunder to the extent permissible by law and the sales contracts between ASEKR and the Customers.

ASE US will not enter into any contract or agreement, nor engage in any activities, that would result in a conflict with ASE US's duties under this Agreement.

With the terms of this agreement, ASE US shall not have the authority to make any commitments whatsoever on behalf of ASEKR, as agent or otherwise, or to bind ASEKR in any respect.

- (b) Each party will provide to the other on a regular basis such information as may be required to enable the other party to be assured of compliance with this Agreement.
- (c) Unless required by laws, all confidential information received or learned by ASE US relating to ASEKR or its business and products shall be kept in confidence by ASE US and neither used by ASE US nor disclosed to others for any purpose inconsistent with this Agreement.
- (d) ASE US shall use ASEKR trademark only as ASEKR may authorize from time to time, and ASE US shall not claim any proprietary right to or interest in such trademarks.

6. Miscellaneous

This Agreement shall be governed by the laws of the Republic of China ("ROC"). In case of any disputes arising from or in connection with this Agreement, the parties hereto consent to submit to the non-exclusive jurisdiction of the Taipei District Court.

Without the prior written consent of ASEKR, ASE US shall not assign or transfer any of its rights or obligations hereunder to any other person.

This Agreement can be amended or modified only in writing signed by the parties hereto. Any communication or notice made hereunder shall be in writing and sent by way of (i) hand delivery, (ii) postage prepaid registered air mail, or (iii) facsimile to the address as follows:

ASE US:
Address:
2880 Zanker Road, Suite 106,
San Jose, CA 95134, USA

ASE (Korea) Inc.:
Address:
494, Munbal-ri, Kyoha-Myon, Paju-Si,
Kyunggi-Do, Korea

Telefax No: 408-432-0440

Telefax No: 82-348-9400-627

The notice or communication shall become effective (i) upon delivery if sent by hand delivery, (ii) upon the dispatch if sent by facsimile and confirmed by writing and (iii) upon the fifth days later than the post date if sent by air mail.

This Agreement shall in no event be construed to establish a sales agency relationship between ASEKR and ASE US.

IN WITNESS WHEREOF, the parties hereto hereby have duly executed and delivered this Agreement as of the date and year first written above.

ASE (Korea) Inc.

ASE US

By /s/ Jim Stilson
Name: Jim Stilson
Title: President

By /s/ Y. C. Hsu
Name: Y. C. Hsu
Title: General Manager

SERVICE AGREEMENT

PARTIES: ASE (U.S.) INC. ("ASE US")
(a California corporation)

ASE (Chung-Li) Inc. ("ASECL")
(a Taiwan Corporation)

DATE: July 1, 2000

ASECL hereby retains ASE US to be its Service Agent to provide after sales service and sales support ("Services") to its Europe and North America customers ("Customers") for present and future products and services as specified by ASECL as follows

1. Service to rendered

- (a) To facilitate market information collection, Customer and business identification, and Customer inquiry dissemination, and;
- (b) To liaise with ASECL and Customers re price, delivery and other key terms of the sales contract as ASECL may from time to time specify in writing, and;
- (c) To monitor sales contract performance by the Customers, including acceptance of delivery, payments, etc., and;
- (d) To provide after sales services including problem solving, capacity planning coordination and other items as may be necessary.

2. Compensation to ASE US

For services hereunder, ASECL will monthly compensate ASE US as follows:

- (a) 10% of ASE US's monthly incurred services associated cost and expenses (excluding bonus) plus 10%.
- (b) Upon payment request, ASE US is to submit detailed monthly expense report certified by its Financial Manager for accuracy, and;
- (c) The compensation agreement is valid for one year and is subject to annual revision accepted by both parties.

3. Compensation from ASE US

ASE US agrees to pay a reasonable portion of ASECL employee's traveling expenses incurred in the United States or Europe, when the trip is deemed necessary by ASECL to assist ASE US in providing its services hereunder.

4. Term of Agreement

This Agreement is effective from July 1, 2000 and shall expire on June 30, 2001, unless earlier terminated by (i) mutual agreement or (ii) ASECL on at least 30 days' prior written notice with or without causes.

5. Representations and Covenants

- (a) ASE US agrees to perform its obligations hereunder to the extent permissible by law and the sales contracts between ASECL and the Customers.

ASE US will not enter into any contract or agreement, nor engage in any activities, that would result in a conflict with ASE US's duties under this Agreement.

With the terms of this agreement, ASE US shall not have the authority to make any commitments whatsoever on behalf of ASECL, as agent or otherwise, or to bind ASECL in any respect.

- (b) Each party will provide to the other on a regular basis such information as may be required to enable the other party to be assured of compliance with this Agreement.
- (c) Unless required by laws, all confidential information received or learned by ASE US relating to ASECL or its business and products shall be kept in confidence by ASE US and neither used by ASE US nor disclosed to others for any purpose inconsistent with this Agreement.
- (d) ASE US shall use ASECL trademark only as ASECL may authorize from time to time, and ASE US shall not claim any proprietary right to or interest in such trademarks.

6. Miscellaneous

This Agreement shall be governed by the laws of the Republic of China ("ROC"). In case of any disputes arising from or in connection with this Agreement, the parties hereto consent to submit to the non-exclusive jurisdiction of the Taipei District Court.

Without the prior written consent of ASECL, ASE US shall not assign or transfer any of its rights or obligations hereunder to any other person.

This Agreement can be amended or modified only in writing signed by the parties hereto. Any communication or notice made hereunder shall be in writing and sent by way of (i) hand delivery, (ii) postage prepaid registered air mail, or (iii) facsimile to the address as follows:

ASE US:
Address:
2880 Zanker Road, Suite 106,
San Jose, CA 95134, USA

ASE (Chung-Li) Inc.:
Address:
550, Chung-Hwa Road Section 1,
Chung-Li, Taiwan, R.O.C.

Telefax No: 408-432-0440

Telefax No: 886-3-462-8658

The notice or communication shall become effective (i) upon delivery if sent by hand delivery, (ii) upon the dispatch if sent by facsimile and confirmed by writing and (iii) upon the fifth days later than the post date if sent by air mail.

This Agreement shall in no event be construed to establish a sales agency relationship between ASECL and ASE US.

IN WITNESS WHEREOF, the parties hereto hereby have duly executed and delivered this Agreement as of the date and year first written above.

ASE (Chung-Li) Inc.

ASE US

By /s/ S. S Lee
Name: S.S. Lee
Title: President

By /s/ Y. C. Hsu
Name: Y. C. Hsu
Title: General Manager

SERVICE AGREEMENT

PARTIES: ASE (U.S.) INC. ("ASE US")
(a California corporation)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. ("ASE")
(a Taiwan Corporation)

DATE: July 1st, 2000

ASE hereby retains ASE US to be its Service Agent to provide after sales service and sales support ("Services") to its Europe and North America customers ("Customers") for present and future products and services as specified by ASE as follows

1. Service to rendered

- (a) To facilitate market information collection, Customer and business identification, and Customer inquiry dissemination, and;
- (b) To liaise with ASE and Customers re price, delivery and other key terms of the sales contract as ASE may from time to time specify in writing, and;
- (c) To monitor sales contract performance by the Customers, including acceptance of delivery, payments, etc., and;
- (d) To provide after sales services including problem solving, capacity planning coordination and other items as may be necessary.

2. Compensation to ASE US

For services hereunder, ASE will monthly compensate ASE US as follows:

- (a) 50% of ASE US's monthly incurred services associated cost and expenses (excluding bonus) plus 10%.
- (b) Upon payment request, ASE US is to submit detailed monthly expense report certified by its Financial Manager for accuracy, and;
- (c) The compensation agreement is valid for one year and is subject to annual revision accepted by both parties.

3. Compensation from ASE US

ASE US agrees to pay a reasonable portion of ASE employee's traveling expenses incurred in the United States or Europe, when the trip is deemed necessary by ASE to assist ASE US in providing its services hereunder.

4. Term of Agreement

This Agreement is effective from July 1, 2000 and shall expire on June 30, 2001, unless earlier terminated by (i) mutual agreement or (ii) ASE on at least 30 days' prior written notice with or without causes.

5. Representations and Covenants

- (a) ASE US agrees to perform its obligations hereunder to the extent permissible by law and the sales contracts between ASE and the Customers.

ASE US will not enter into any contract or agreement, nor engage in any activities, that would result in a conflict with ASE US's duties under this Agreement.

With the terms of this agreement, ASE US shall not have the authority to make any commitments whatsoever on behalf of ASE, as agent or otherwise, or to bind ASE in any respect.

- (b) Each party will provide to the other on a regular basis such information as may be required to enable the other party to be assured of compliance with this Agreement.
- (c) Unless required by laws, all confidential information received or learned by ASE US relating to ASE or its business and products shall be kept in confidence by ASE US and neither used by ASE US nor disclosed to others for any purpose inconsistent with this Agreement.
- (d) ASE US shall use ASE trademark only as ASE may authorize from time to time, and ASE US shall not claim any proprietary right to or interest in such trademarks.

6. Miscellaneous

This Agreement shall be governed by the laws of the Republic of China ("ROC"). In case of any disputes arising from or in connection with this Agreement, the parties hereto consent to submit to the non-exclusive jurisdiction of the Taipei District Court.

Without the prior written consent of ASE, ASE US shall not assign or transfer any of its rights or obligations hereunder to any other person.

This Agreement can be amended or modified only in writing signed by the parties hereto. Any communication or notice made hereunder shall be in writing and sent by way of (i) hand delivery, (ii) postage prepaid registered air mail, or (iii) facsimile to the address as follows:

ASE US:
Address:
2880 Zanker Road, Suite 106,
San Jose, CA 95134, USA

ASE Inc.:
Address:
26,Chin 3rd Rd Nantze EPZ,
Kaohsiung, Taiwan, R.O.C.

Telefax No: 408-432-0440

Telefax No: 886-7-361-3094

The notice or communication shall become effective (i) upon delivery if sent by hand delivery, (ii) upon the dispatch if sent by facsimile and confirmed by writing and (iii) upon the fifth days later than the post date if sent by air mail.

This Agreement shall in no event be construed to establish a sales agency relationship between ASE and ASE US.

IN WITNESS WHEREOF, the parties hereto hereby have duly executed and delivered this Agreement as of the date and year first written above.

ASE Inc.

ASE US

By /s/ K. J. Chin
Name: K.J. Chin
Title: General Manager/EVP

By /s/ Y. C. Hsu
Name: Y. C. Hsu
Title: General Manager

COMMISSION AGREEMENT

PARTIES: GARDEX INTERNATIONAL LIMITED ("GARDEX")
(a British Virgin Islands Corporation)

ASE Electronics (M) Sdn. Bhd. ("ASEM")
(a Malaysia Corporation)

DATE: July 1, 2000

AGREEMENT

1. Services to be rendered. ASEM hereby retains GARDEX to provide the sales services to ASEM as a Sales Agency with the following terms.

To be non-exclusive world-wide sales agent for all present and future products and services to be specified by ASEM in writing with the following authority:

- (a) Identify customers for ASEM products and services;
- (b) Within such limitations relating to price, delivery and other key terms as ASEM may from time to time specify in writing, and subject to acceptance by ASEM (by telex or otherwise) negotiate sales contracts as ASEM's agent;
- (c) Monitor contract performance by the customer, including acceptance of delivery, payment, etc.

2. Compensation to GARDEX. For services hereundered, ASEM shall pay monthly compensation to GARDEX in respect of net export sales (outside of Malaysia). The compensation amount is 0.7% of the total monthly export sales.

The above scheme of compensation payment is applicable from July 1, 2000 to June 30, 2001. Compensation payment thereafter is subject to further negotiation on a yearly basis between ASEM and GARDEX.

All payments to GARDEX shall be in US dollars. Currency conversions, where necessary, shall be based on prevailing free-market rates of the time the payment is earned (not at the time of payment) as quoted in the Wall Street Journal or other authoritative source.

3. Term of Agreement. This agreement is effective from July 1, 2000 and shall expire on June 30, 2001 unless earlier terminated by (i) mutual agreement, or (ii) ASEM on at least 30 days' prior written notice with or without cause. Neither expiration nor termination of this Agreement shall terminate the obligation of ASEM to pay GARDEX for services rendered with respect to sales following such date that result from orders received prior to such date.

4. Representative and Covenants.

- (a) GARDEX agree to use its best efforts to perform its obligations hereunder and to give priority to ASEM over all other customers of GARDEX in terms of management time, and efforts. GARDEX will not enter into any management consulting, sales, agency or similar relationship, nor engage in activities, that would result in a conflict with GARDEX's duties under this Agreement.
- (b) Each party will provide to the other on a regular basis such documentation as may reasonably be required to enable the other party to be assured of compliance with this Agreement, and shall permit the other party to inspect its books of account and other records at such reasonable times as the other party may request.
- (c) All confidential information received or learned by GARDEX relating to ASEM's business and products shall be kept in confidence by GARDEX and neither used by GARDEX nor disclosed to any other person for any purpose outside this Agreement.

5. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of Republic of China unless the parties agree in writing to voluntary arbitration. The Courts in the Republic of China shall have exclusive jurisdiction to hear and decide any case or controversy arising out of this Agreement.

Each party consents to in person jurisdiction over it by such courts and to service of process by registered mail sent to its principal business address.

ASE Electronics (M) Sdn. Bhd.

By: /s/ David Hsiang

GARDEX INTERNATIONAL LIMITED

By _____
/s/ Philip Nicholls

COMMISSION AGREEMENT

PARTIES: GARDEX INTERNATIONAL LIMITED ("GARDEX")
(a British Virgin Islands Corporation)

ASE Test Inc. ("ASE Test")
(a Taiwan Corporation)

DATE: July 1, 2000

AGREEMENT

1. Services to be rendered. ASE Test hereby retains GARDEX to provide the sales services to ASE Test as a Sales Agency with the following terms.

To be non-exclusive world-wide sales agent for all present and future products and services to be specified by ASE Test in writing with the following authority:

- (a) Identify customers for ASE Test products and services;
 - (b) Within such limitations relating to price, delivery and other key terms as ASE Test may from time to time specify in writing, and subject to acceptance by ASE Test (by telex or otherwise) negotiate sales contracts as ASE Test's agent;
 - (c) Monitor contract performance by the customer, including acceptance of delivery, payment, etc.
2. Compensation to GARDEX. For services hereundered, ASE Test shall pay monthly compensation to GARDEX in respect of net export sales (outside of Taiwan), the compensation amount is 0.7% of the total monthly export sales.

The above scheme of compensation payment is applicable from July 1, 2000 to June 30, 2001. Compensation payment thereafter is subject to further negotiation on a yearly basis between ASE Test and GARDEX.

All payments to GARDEX shall be in US dollars. Currency conversions, where necessary, shall be based on prevailing free-market rates of the time the payment is earned (not at the time of payment) as quoted in the Wall Street Journal or other authoritative source.

3. Term of Agreement. This agreement is effective from July 1, 2000 and shall expire on June 30, 2001 unless earlier terminated by (i) mutual agreement, or (ii) ASE Test on at least 30 days' prior written notice with or without cause. Neither expiration nor termination of this Agreement shall terminate the obligation of ASE Test to pay GARDEX for services rendered with respect to sales following such date that result from orders received prior to such date.

4. Representative and Covenants.

- (a) GARDEX agree to use its best efforts to perform its obligations hereunder and to give priority to ASE Test over all other customers of GARDEX in terms of management time, and efforts. GARDEX will not enter into any management consulting, sales, agency or similar relationship, nor engage in activities, that would result in a conflict with GARDEX's duties under this Agreement.
- (b) Each party will provide to the other on a regular basis such documentation as may reasonably be required to enable the other party to be assured of compliance with this Agreement, and shall permit the other party to inspect its books of account and other records at such reasonable times as the other party may request.

(c) All confidential information received or learned by GARDEX relating to ASE Test's business and products shall be kept in confidence by GARDEX and neither used by GARDEX nor disclosed to any other person for any purpose outside this Agreement.

5. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of Republic of China unless the parties agree in writing to voluntary arbitration. The courts in the Republic of China shall have exclusive jurisdiction to hear and decide any case or controversy arising out of this Agreement.

Each party consents to in person jurisdiction over it by such courts and to service of process by registered mail sent to its principal business address.

ASE Test Inc.

By /s/ Raymond Lo

GARDEX INTERNATIONAL LIMITED

By /s/ Philip Nicholls

COMMISSION AGREEMENT

PARTIES: GARDEX INTERNATIONAL LIMITED ("GARDEX")
(a British Virgin Islands Corporation)

ASE (Korea) Inc. ("ASEKR")
(a Korea Corporation)

DATE: July 1, 2000

AGREEMENT

1. Services to be rendered. ASEKR hereby retains GARDEX to provide the sales services to ASEKR as a Sales Agency with the following terms.

To be non-exclusive world-wide sales agent for all present and future products and services to be specified by ASEKR in writing with the following authority:

- (a) Identify customers for ASEKR products and services;
 - (b) Within such limitations relating to price, delivery and other key terms as ASEKR may from time to time specify in writing, and subject to acceptance by ASEKR (by telex or otherwise) negotiate sales contracts as ASEKR's agent;
 - (c) Monitor contract performance by the customer, including acceptance of delivery, payment, etc.
2. Compensation to GARDEX. For services hereunder, ASEKR shall pay monthly compensation to GARDEX in respect of net export sales (outside of Taiwan). The compensation amount is 0.6% of the total monthly export sales.

The above scheme of compensation payment is applicable from July 1, 2000 to June 30, 2001. Compensation payment thereafter is subject to further negotiation on a yearly basis between ASEKR and GARDEX.

All payments to GARDEX shall be in US dollars. Currency conversions, where necessary, shall be based on prevailing free-market rates of the time the payment is earned (not at the time of payment) as quoted in the Wall Street Journal or other authoritative source.

3. Term of Agreement. This agreement is effective from July 1, 2000 and shall expire on June 30, 2001 unless earlier terminated by (i) mutual agreement, or (ii) ASEKR on at least 30 days' prior written notice with or without cause. Neither expiration nor termination of this Agreement shall terminate the obligation of ASEKR to pay GARDEX for services rendered with respect to sales following such date that result from orders received prior to such date.

4. Representative and Covenants.

- (a) GARDEX agree to use its best efforts to perform its obligations hereunder and to give priority to ASEKR over all other customers of GARDEX in terms of management time, and efforts. GARDEX will not enter into any management consulting, sales, agency or similar relationship, nor engage in activities, that would result in a conflict with GARDEX's duties under this Agreement.
- (b) Each party will provide to the other on a regular basis such documentation as may reasonably be required to enable the other party to be assured of compliance with this Agreement, and shall permit the other party to inspect its books of account and other records at such reasonable times as the other party may request.

- (c) All confidential information received or learned by GARDEX relating to ASEKR's business and products shall be kept in confidence by GARDEX and neither used by GARDEX nor disclosed to any other person for any purpose outside this Agreement.

5. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of Republic of China unless the parties agree in writing to voluntary arbitration. The Courts in the Republic of China shall have exclusive jurisdiction to hear and decide any case or controversy arising out of this Agreement.

Each party consents to in person jurisdiction over it by such courts and to service of process by registered mail sent to its principal business address.

ASE (Korea) Inc.

By /s/ Jim Stilson

GARDEX INTERNATIONAL LIMITED

By /s/ Philip Nicholls

COMMISSION AGREEMENT

PARTIES: GARDEX INTERNATIONAL LIMITED ("GARDEX")
(a British Virgin Islands Corporation)

ASE (Chung-Li) Inc. ("ASECL")
(a Taiwan Corporation)

DATE: July 1, 2000

AGREEMENT

1. Services to be rendered. ASECL hereby retains GARDEX to provide the sales services to ASECL as a Sales Agency with the following terms.

To be non-exclusive world-wide sales agent for all present and future products and services to be specified by ASECL in writing with the following authority:

- (a) Identify customers for ASECL products and services;
 - (b) Within such limitations relating to price, delivery and other key terms as ASECL may from time to time specify in writing, and subject to acceptance by ASECL (by telex or otherwise) negotiate sales contracts as ASECL's agent;
 - (c) Monitor contract performance by the customer, including acceptance of delivery, payment, etc.
2. Compensation to GARDEX. For services hereunder, ASECL shall pay monthly compensation to GARDEX in respect of net export sales (outside of Taiwan). The compensation amount is 0.6% of the total monthly export sales.

The above scheme of compensation payment is applicable from July 1, 2000 to June 30, 2001. Compensation payment thereafter is subject to further negotiation on a yearly basis between ASECL and GARDEX.

All payments to GARDEX shall be in US dollars. Currency conversions, where necessary, shall be based on prevailing free-market rates of the time the payment is earned (not at the time of payment) as quoted in the Wall Street Journal or other authoritative source.

3. Term of Agreement. This agreement is effective from July 1, 2000 and shall expire on June 30, 2001 unless earlier terminated by (i) mutual agreement, or (ii) ASECL on at least 30 days' prior written notice with or without cause. Neither expiration nor termination of this Agreement shall terminate the obligation of ASECL to pay GARDEX for services rendered with respect to sales following such date that result from orders received prior to such date.

4. Representative and Covenants.

- (a) GARDEX agree to use its best efforts to perform its obligations hereunder and to give priority to ASECL over all other customers of GARDEX in terms of management time, and efforts. GARDEX will not enter into any management consulting, sales, agency or similar relationship, nor engage in activities, that would result in a conflict with GARDEX's duties under this Agreement.
- (b) Each party will provide to the other on a regular basis such documentation as may reasonably be required to enable the other party to be assured of compliance with this Agreement, and shall permit the other party to inspect its books of account and other records at such reasonable times as the other party may request.

(c) All confidential information received or learned by GARDEX relating to ASECL's business and products shall be kept in confidence by GARDEX and neither used by GARDEX nor disclosed to any other person for any purpose outside this Agreement.

5. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of Republic of China unless the parties agree in writing to voluntary arbitration. The Courts in the Republic of China shall have exclusive jurisdiction to hear and decide any case or controversy arising out of this Agreement.

Each party consents to in person jurisdiction over it by such courts and to service of process by registered mail sent to its principal business address.

ASE (Chung-Li) Inc.

By /s/ S. S. Lee

GARDEX INTERNATIONAL LIMITED

By /s/ Philip Nicholls

COMMISSION AGREEMENT

PARTIES: GARDEX INTERNATIONAL LIMITED ("GARDEX")
(a British Virgin Islands Corporation)

ADVANCED SEMICONDUCTOR ENGINEERING, INC. ("ASE")
(a Taiwan Corporation)

DATE: July 1, 2000

AGREEMENT

1. Services to be rendered. ASE hereby retains GARDEX to provide the sales services to ASE as a Sales Agency with the following terms.

To be non-exclusive world-wide sales agent for all present and future products and services to be specified by ASE in writing with the following authority:

- (a) Identify customers for ASE products and services;
- (b) Within such limitations relating to price, delivery and other key terms as ASE may from time to time specify in writing, and subject to acceptance by ASE (by telex or otherwise) negotiate sales contracts as ASE's agent;
- (c) Monitor contract performance by the customer, including acceptance of delivery, payment, etc.

Compensation to GARDEX. For services hereundered, ASE shall pay monthly compensation to GARDEX in respect of net export sales (outside of Taiwan). The compensation amount is 1.0% of the total monthly export sales.

The above scheme of compensation payment is applicable from July 1, 2000 to June 30, 2001. Compensation payment thereafter is subject to further negotiation on a yearly basis between ASE and GARDEX.

All payments to GARDEX shall be in US dollars. Currency conversions, where necessary, shall be based on prevailing free-market rates of the time the payment is earned (not at the time of payment) as quoted in the Wall Street Journal or other authoritative source.

3. Term of Agreement. This agreement is effective from July 1, 2000 and shall expire on June 30, 2001 unless earlier terminated by (i) mutual agreement, or (ii) ASE on at least 30 days' prior written notice with or without cause. Neither expiration nor termination of this Agreement shall terminate the obligation of ASE to pay GARDEX for services rendered with respect to sales following such date that result from orders received prior to such date.

4. Representative and Covenants.

- (a) GARDEX agree to use its best efforts to perform its obligations hereunder and to give priority to ASE over all other customers of GARDEX in terms of management time, and efforts. GARDEX will not enter into any management consulting, sales, agency or similar relationship, nor engage in activities, that would result in a conflict with GARDEX's duties under this Agreement.
- (b) Each party will provide to the other on a regular basis such documentation as may reasonably be required to enable the other party to be assured of compliance with this Agreement, and shall permit the other party to inspect its books of account and other records at such reasonable times as the other party may request.

(c) All confidential information received or learned by GARDEX relating to ASE's business and products shall be kept in confidence by GARDEX and neither used by GARDEX nor disclosed to any other person for any purpose outside this Agreement.

5. Governing Law and Jurisdiction. This Agreement shall be governed and construed under the laws of Republic of China unless the parties agree in writing to voluntary arbitration. The courts in the Republic of China shall have exclusive jurisdiction to hear and decide any case or controversy arising out of this Agreement.

Each party consents to in person jurisdiction over it by such courts and to service of process by registered mail sent to its principal business address.

ASE Inc.

By /s/ K. J. Chin

GARDEX INTERNATIONAL LIMITED

By /s/ Philip Nicholls

**Lease Agreement for Public Land Managed by Export Processing Zone Administration,
Ministry of Economic Affairs**

Ref. No. (89) Nan-Her-Chien-Tzu #015

This lease agreement (hereinafter referred to as the "Agreement") made and entered into by and between Advanced Semiconductor Engineering Inc. (hereinafter referred to as the "Lessee") and the Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as the "Lessor") for the lease of one plot of public land within the Nantze Export Processing Zone.

1. Leased Land Designation, Area and Rental Charge:

Asset Number	Land Designation				District Classification	Area Rented (m ²)	Rental Charge per m ² (NT\$)	Rental Charge per Month (NT\$)	Public Facilities Construction Charge Per Month (NT\$)	Notes
	District	Section	Subsection	Lot Number						
CL046	Nantze District	Hoping Section	2 nd Subsection	626		2,307.00	11.50	26,530	0	Approval for rental per letter of Jing-Chia-Chu (89) Her-Chien-Tzu #005423 (dated June 5, 2000)
Total						2,307.00	11.50	26,530	0	

2. The rental period shall be from July 1, 2000 to June 30, 2010.
3. The leased land may be used only by enterprises permitted to operate in the Export Processing Zone for the construction of offices, plant buildings, warehouses or workplaces or by the regulatory authorities for the establishment of branch offices within the Nantze Export Processing Zone.
4. If, during the period of validity of the Agreement, the Lessee ceases to use all or part of the leased land, it shall immediately apply to terminate the Agreement; it shall not transfer, sublet or lend the land to a third party.
5. If the Lessee rents the land for the construction of a plant building or other building, besides leaving setback of 3 meters between the building and land rented by other parties, it shall also leave setback of 6 meters on any side facing onto a main road, 5 meters on any side facing onto an inner ring road or secondary road, and 4 meters on any side facing onto a tertiary road. The Lessee shall pay for and undertake the putting in order and greening of the land reserved for setback.
6. If the Lessee rents the land for the construction of a plant building or other building, in principle the building shall have at least two stories. The building area shall not be less than 50% or more than 70% of the total area rented and shall be handled according to the following rules:
 - (1) No buildings shall be erected on the land reserved for setback on the four sides of the land based on the needs of fire prevention, lighting, transportation, beautification etc.
 - (2) At least 20% of the land area remaining after the deduction of the land reserved for setback must be left vacant and not built thereon.
7. The Lessee shall pay NT\$26,530 for rental charge as specified in Article 1 of the Agreement at the appointed agency of national treasury. A penalty of fines shall be levied for arrears in payment as follows:
 - (1) An additional 5% of the rental is added for arrears in payment for over one month and less than two months;
 - (2) An additional 10% of the rental is added for arrears in payment for over two months and less than three months; and

- (3) An additional 15% of the rental is added for arrears in payment for over three months and less than four months.

If payment of the rental charge, other fees and breach of contract penalty is overdue by more than four months, in addition to continuing to press for payment, the Lessor may also terminate the Agreement.

8. If the government adjusts the land value in accordance with relevant law, the rental charge shall be adjusted according to the new land value beginning on the first day of the month following the month in which the new land value was announced, and the Lessee shall raise no objection thereto.
9. If the Lessee leases the land for construction of a plant building or other building, the Lessee shall complete the construction within three months of the execution of this Agreement, and shall complete construction of the building in accordance with the plan. If the Lessee does not begin construction of the building on schedule, or if, after applying for an extension, the Lessee still fails to begin construction within the new time limit, or if the Lessee fails to complete construction in accordance with the plan, the Lessor may terminate the Agreement and take back the land. Any rental charges and public utilities construction charges already paid will not be returned to the Lessee. If there are any uncompleted buildings on the land, the Lessor may dispose of these in accordance with the law, or may require the Lessee to remove them; the Lessee shall raise no objection to this, and may not refuse to remove the buildings if asked to do so.
10. If, in order to construct a plant building or other building, the Lessee needs to dig up the roads, drainage pipes (or water supply pipes) or other public facilities in the Export Processing Zone, it shall apply to the Lessor for approval in advance and shall pay a deposit. Once the work has been completed and the public facilities restored to their original condition, the deposit will be returned, without interest; the deposit will not be returned if the above requirements are violated.
11. The Lessor may terminate the Agreement by notifying the Lessee in the event that any of the following occurs:
 - (1) If the Lessee uses the land in a way which violates any of the provisions of this Agreement;
 - (2) If the buildings belonging to the Lessee are purchased by price negotiation or compulsory purchase in accordance with Article 12 of the Regulations Governing the Establishment and Management of Export Processing Zones;
 - (3) If the Lessee is in arrears in the payment of the rental charge and other charges by four months or more; or
 - (4) If any other circumstances arise which permit the termination of the Agreement in accordance with the Civil Code or with the Land Law.
12. If the Agreement is terminated in accordance with the preceding Article, the land shall be returned immediately. If there are any buildings belonging to the Lessee on the land, the buildings shall be sold within two years to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after two years, the Lessor may handle the matter in accordance with the law, or may purchase by price negotiation all facilities and goods belonging to the Lessee within the buildings on the rented land; the Lessee shall raise no objection thereto.
13. If, on the expiry of this Agreement, the Lessee wishes to renew the Agreement, it shall submit a written application for renewal of the Agreement to the Lessor at least three months prior to the expiration of the Agreement. If the Lessee does not apply to renew the Agreement by the expiry of the Agreement, the Lessee shall return the land immediately on the expiry of the Agreement. Any buildings belonging to the Lessee on the leased land shall be sold within six months to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after six months, it shall be deemed to breach the Agreement. The Lessor may dispose or purchase all buildings belonging to the

Lessee on the leased land and all facilities and goods within the buildings in accordance with the law; the Lessee shall raise no objection thereto.

14. This Agreement has been executed in two originals and shall take effect upon execution. The Lessor and Lessee shall each retain one original. In the event of a dispute arising with respect to this Agreement, the court of first instance shall be determined by the Lessor.

Parties to the Agreement:

Lessee: Advanced Semiconductor Engineering Inc.
Authorized or legal representative: Jason Chang
Address: 26 Ching San Road, Nantze Export Processing Zone
Company registration number: Jing Chia Chu Hsin Tzu #3413

Lessor: Export Processing Zone Administration, Ministry of Economic Affairs
Legal representative: Pan Tin-bai
Address: 600 Chiachang Road, Nantze District, Kaohsiung City

Date: June 26, 2000

Lease Agreement for Public Land Managed by Export Processing Zone Administration, Ministry of Economic Affairs

Ref. No. (89) Nan-Ehr-Chien-Tzu #019

This lease agreement (hereinafter referred to as the "Agreement") made and entered into by and between Advanced Semiconductor Engineering Inc. (hereinafter referred to as the "Lessee") and the Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as the "Lessor") for the lease of one plot of public land within the Nantze Export Processing Zone.

1. Leased Land Designation, Area and Rental Charge:

Asset Number	Land Designation				District Classification	Area Rented (m ²)	Rental Charge per m ² (NT\$)	Rental Charge per Month (NT\$)	Public Facilities Construction Charge Per Month (NT\$)	Notes
	District	Section	Subsection	Lot Number						
CL053	Nantze District	Hoping Section	2 nd Subsection	627	(1)	765.00	11.50	8,797	0	Approval for rental per letter of Jing-Chia-Chu (89) Ehr-Chien-Tzu #005423 (dated June 5, 2000)
Total						765.00	11.50	8,797	0	

2. The rental period shall be from July 1, 2000 to June 30, 2010.
3. The leased land may be used only by enterprises permitted to operate in the Export Processing Zone for the construction of offices, plant buildings, warehouses or workplaces or by the regulatory authorities for the establishment of branch offices within the Nantze Export Processing Zone.
4. If, during the period of validity of the Agreement, the Lessee ceases to use all or part of the leased land, it shall immediately apply to terminate the Agreement; it shall not transfer, sublet or lend the land to a third party.
5. If the Lessee rents the land for the construction of a plant building or other building, besides leaving setback of 3 meters between the building and land rented by other parties, it shall also leave setback of 6 meters on any side facing onto a main road, 5 meters on any side facing onto an inner ring road or secondary road, and 4 meters on any side facing onto a tertiary road. The Lessee shall pay for and undertake the putting in order and greening of the land reserved for setback.
6. If the Lessee rents the land for the construction of a plant building or other building, in principle the building shall have at least two stories. The building area shall not be less than 50% or more than 70% of the total area rented and shall be handled according to the following rules:
 - (1) No buildings shall be erected on the land reserved for setback on the four sides of the land based on the needs of fire prevention, lighting, transportation, beautification etc.
 - (2) At least 20% of the land area remaining after the deduction of the land reserved for setback must be left vacant and not built thereon.
7. The Lessee shall pay NT\$8,797 for rental charge as specified in Article 1 of the Agreement at the appointed agency of national treasury. A penalty of fines shall be levied for arrears in payment as follows:
 - (1) An additional 5% of the rental is added for arrears in payment for over one month and less than two months;
 - (2) An additional 10% of the rental is added for arrears in payment for over two months and less than three months; and

- (3) An additional 15% of the rental is added for arrears in payment for over three months and less than four months.

If payment of the rental charge, other fees and breach of contract penalty is overdue by more than four months, in addition to continuing to press for payment, the Lessor may also terminate the Agreement.

8. If the government adjusts the land value in accordance with relevant law, the rental charge shall be adjusted according to the new land value beginning on the first day of the month following the month in which the new land value was announced, and the Lessee shall raise no objection thereto.
9. If the Lessee leases the land for construction of a plant building or other building, the Lessee shall complete the construction within three months of the execution of this Agreement, and shall complete construction of the building in accordance with the plan. If the Lessee does not begin construction of the building on schedule, or if, after applying for an extension, the Lessee still fails to begin construction within the new time limit, or if the Lessee fails to complete construction in accordance with the plan, the Lessor may terminate the Agreement and take back the land. Any rental charges and public utilities construction charges already paid will not be returned to the Lessee. If there are any uncompleted buildings on the land, the Lessor may dispose of these in accordance with the law, or may require the Lessee to remove them; the Lessee shall raise no objection to this, and may not refuse to remove the buildings if asked to do so.
10. If, in order to construct a plant building or other building, the Lessee needs to dig up the roads, drainage pipes (or water supply pipes) or other public facilities in the Export Processing Zone, it shall apply to the Lessor for approval in advance and shall pay a deposit. Once the work has been completed and the public facilities restored to their original condition, the deposit will be returned, without interest; the deposit will not be returned if the above requirements are violated.
11. The Lessor may terminate the Agreement by notifying the Lessee in the event that any of the following occurs:
 - (1) If the Lessee uses the land in a way which violates any of the provisions of this Agreement;
 - (2) If the buildings belonging to the Lessee are purchased by price negotiation or compulsory purchase in accordance with Article 12 of the Regulations Governing the Establishment and Management of Export Processing Zones;
 - (3) If the Lessee is in arrears in the payment of the rental charge and other charges by four months or more; or
 - (4) If any other circumstances arise which permit the termination of the Agreement in accordance with the Civil Code or with the Land Law.
12. If the Agreement is terminated in accordance with the preceding Article, the land shall be returned immediately. If there are any buildings belonging to the Lessee on the land, the buildings shall be sold within two years to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after two years, the Lessor may handle the matter in accordance with the law, or may purchase by price negotiation all facilities and goods belonging to the Lessee within the buildings on the rented land; the Lessee shall raise no objection thereto.
13. If, on the expiry of this Agreement, the Lessee wishes to renew the Agreement, it shall submit a written application for renewal of the Agreement to the Lessor at least three months prior to the expiration of the Agreement. If the Lessee does not apply to renew the Agreement by the expiry of the Agreement, the Lessee shall return the land immediately on the expiry of the Agreement. Any buildings belonging to the Lessee on the leased land shall be sold within six months to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after six months, it shall be deemed to breach the Agreement. The Lessor may dispose or purchase all buildings belonging to the

Lessee on the leased land and all facilities and goods within the buildings in accordance with the law; the Lessee shall raise no objection thereto.

14. This Agreement has been executed in two originals and shall take effect upon execution. The Lessor and Lessee shall each retain one original. In the event of a dispute arising with respect to this Agreement, the court of first instance shall be determined by the Lessor.

Parties to the Agreement:

Lessee: Advanced Semiconductor Engineering Inc.
Authorized or legal representative: Jason Chang
Address: 26 Ching San Road, Nantze Export Processing Zone
Company registration number: Jing Chia Chu Hsin Tzu #3413

Lessor: Export Processing Zone Administration, Ministry of Economic Affairs
Legal representative: Pan Tin-bai
Address: 600 Chiachang Road, Nantze District, Kaohsiung City

Date: July 10, 2000

**Lease Agreement for Public Land Managed by Export Processing Zone Administration,
Ministry of Economic Affairs**

Ref. No. (89) Nan-She-Tzu #002

This lease agreement (hereinafter referred to as the “Agreement”) made and entered into by and between Advanced Semiconductor Engineering Inc., Ase Test Inc. (hereinafter collectively referred to as the “Lessee”) and the Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as the “Lessor”) for the lease of four plots of public land within the Nantze Export Processing Zone.

1. Leased Land Designation, Area and Rental Charge:

Asset Number	Land Designation				Area Rented (m ²)	Rental Charge per m ² (NT\$)	Rental Charge per Month (NT\$)	Rental Approval Document No.	Notes
	District	Section	Subsection	Lot Number					
	Nantze District	Hoping Section	2 nd Subsection	442	1,339	33.3	44,588		
			443	176	33.3	5,860			
			444	1,976	34.8	68,764			
			557-1	1	48.7	48			
Total					3,492		119,260		

2. Rental Period:

The rental period shall be from October 1, 2000 to September 30, 2010 for a total of ten years.

3. The land covered by this Agreement is available only for rental and not for sale. The Lessee may not claim any right to establish superficies on the land, and the use of the land is limited to the construction of an office building for its own use in accordance with the plan.
4. The Lessee shall, prior to the 5th day of each month, pay NT\$119,260 for rental charge as specified in Article 1 of the Agreement at the appointed agency of national treasury. A penalty of fines shall be levied for arrears in payment as follows:
 - (1) An additional 5% of the rental is added for arrears in payment for over one month and less than two months;
 - (2) An additional 10% of the rental is added for arrears in payment for over two months and less than three months;
 - (3) An additional 15% of the rental is added for arrears in payment for over three months and less than four months; and
 - (4) For every additional month in excess of four months, an additional charge equivalent to 5% of the rental charge shall be made.

In the event that the government resets the land value in accordance with law, the rental referred to in the preceding paragraph (that the annual rental is equivalent to the rental land area multiplied by the current reported land value multiplied by the rental rate, with annual interest on the reported land value calculated at 5% in accordance with the Land Law) shall be adjusted as of the 1st day of the following month after the new land price is published to which the Lessee shall have no objections.

5. The land value tax payable on the leased land shall be paid by the Lessor. All other taxes, cost of construction of public facilities and construction benefit fees shall be borne by the Lessee.
6. If the Lessee terminates the Agreement or if the Agreement is terminated by the Lessor pursuant to Article 11 of this Agreement, the Lessee shall not claim any compensation from the Lessor.

7. If the Lessee wishes to sell the building, the Lessor may purchase the building, either by price negotiation or by compulsory purchase at the market value.
8. In the event that the Lessee plans to build plant facilities on the leased land, construction shall commence within three months as of the date this Agreement is executed and the construction shall be completed in accordance with planned schedule. The Lessor may terminate this Agreement and recall the leased land should the Lessee fail to commence the construction as planned or, after extension is applied and approved, fail to commence by the deadline or complete the construction as scheduled. In which case, rental and fees for public facilities already paid shall not be refunded. With regard to the uncompleted structure on the leased land, the Lessor may dispose in accordance with relevant laws or require the Lessee to dismantle the structure to which the Lessee shall raise no objections.
9. If the Lessee is not using any part or the whole of the leased land, it shall apply to the Lessor to terminate the Agreement and shall not transfer or sublet the land, or transfer the rental right to a substitute. If this provision is violated, not only shall the Agreement be terminated, but the Lessee shall be required to pay a breach of contract penalty equivalent to four times of the monthly rental charge. However, if the party to whom the land is transferred is another company located in the Export Processing Zone and willing to pay the outstanding rental charge and breach of contract penalty for the Lessee, and is willing to continue to perform the Agreement, the rental may be transferred and a new lease agreement shall be executed.
10. If the Lessee wishes to sell the buildings on the leased land pursuant to relevant law, or if the buildings are auctioned off by court order, the Lessor shall be notified in advance and shall have the priority right to purchase the buildings. Only if the Lessor waives its right to purchase may the buildings be sold to another party. Within 30 days of the date on which the buildings on the land were sold or auctioned off by court order, an application must be submitted to the Lessor for transfer of rental and the signing of a new lease agreement. If this provision is violated, not only shall the Agreement be terminated, but the Lessee shall be required to pay a breach of contract penalty equivalent to four times of the monthly rental charge. However, if the party to whom the land is transferred is another company located in the Export Processing Zone and is willing to pay the outstanding rental charge and breach of contract penalty on behalf of the Lessee, and is willing to continue to perform the Agreement, the rental may be transferred and a new lease agreement shall be executed.
11. The Lessor may terminate the Agreement and the Lessee shall raise no objection thereto in the event that any of the following occurs:
 - (1) If the Lessor needs to change the use of the land in accordance with law for the undertaking of a public construction project; in this case the Lessor shall notify the Lessee at least two months in advance, and shall purchase the buildings on the land, either by price negotiation or by compulsory purchase at the market price;
 - (2) If the Lessee is in arrears in the payment of the rental charge for over two years;
 - (3) If the Lessee uses the land in a manner which violates the law or is not in conformity with the construction plan;
 - (4) If the requirements of Article 104 of the Land Law are not followed prior to the sale of the buildings constructed on the leased land by the Lessee;
 - (5) If the Lessee violates any of the provisions of this Agreement;
 - (6) If the enterprise to which the Lessee belongs is dissolved, merged or goes out of business; or
 - (7) If any other circumstances arise which permit the termination of the Agreement in accordance with the Civil Code, the Land Law or other relevant laws.
12. During the rental period, the Lessee shall pay due attention to public safety and the maintenance of environmental hygiene, and shall carry out the custodial obligations of a bona fide administrator and the responsibilities of a good neighbor. In the event of a dispute arising with a neighboring community, the Lessee shall be responsible for settling the dispute between themselves, and shall bear full legal responsibility.

**Lease Agreement for Public Land Managed by Export Processing Zone Administration,
Ministry of Economic Affairs**

Ref. No. (90) Nan-Ehr-Chien-Tzu #006

This lease agreement (hereinafter referred to as the "Agreement") made and entered into by and between Advanced Semiconductor Engineering Inc. (hereinafter referred to as the "Lessee") and the Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as the "Lessor") for the lease of one plot of public land within the Nantze Export Processing Zone.

1. Leased Land Designation, Area and Rental Charge:

Asset Number	Land Designation				Area Rented (m ²)	Rental Charge per m ² (NT\$)	Rental Charge per Month (NT\$)	Public Facilities Construction Charge Per Month (NT\$)	Notes
	District	Section	Subsection	Lot Number					
CL104	Nantze District	Hoping Section	2 nd Subsection	723	1,093.00	11.50	12,570	0	Approval for rental given in Notification Jing Chia Chu (89) Ehr Chien Tzu #8900014249 (dated December 29, 2000)
Total					1,093.00	11.50	12,570	0	

2. The rental period shall be from March 16, 2001 to March 15, 2011.
3. The leased land may be used only by enterprises permitted to operate in the Export Processing Zone for the construction of offices, plant buildings, warehouses or workplaces or by the regulatory authorities for the establishment of branch offices within the Nantze Export Processing Zone.
4. If, during the period of validity of the Agreement, the Lessee ceases to use all or part of the leased land, it shall immediately apply to terminate the Agreement; it shall not transfer, sublet or lend the land to a third party.
5. If the Lessee rents the land for the construction of a plant building or other building, besides leaving setback of 3 meters between the building and land rented by other parties, it shall also leave setback of 6 meters on any side facing onto a main road, 5 meters on any side facing onto an inner ring road or secondary road, and 4 meters on any side facing onto a tertiary road. The Lessee shall pay for and undertake the putting in order and greening of the land reserved for setback.
6. If the Lessee rents the land for the construction of a plant building or other building, in principle the building shall have at least two stories. The building area shall not be less than 50% or more than 70% of the total area rented and shall be handled according to the following rules:
 - (1) No buildings shall be erected on the land reserved for setback on the four sides of the land based on the needs of fire prevention, lighting, transportation, beautification etc.
 - (2) At least 20% of the land area remaining after the deduction of the land reserved for setback must be left vacant and not built thereon.
7. Any part of the leased land which is already being used for public facilities shall be administered by the Export Processing Zone Administration; the Lessee shall not use such part for building or any other purpose.
8. The Lessee shall pay NT\$12,570 for rental charge as specified in Article 1 of the Agreement at the appointed agency of national treasury. A penalty of fines shall be levied for arrears in payment as follows:
 - (1) An additional 5% of the rental is added for arrears in payment for over one month and less than two months;

- (2) An additional 10% of the rental is added for arrears in payment for over two months and less than three months; and
- (3) An additional 15% of the rental is added for arrears in payment for over three months and less than four months.

If payment of the rental charge, other fees and breach of contract penalty is overdue by more than four months, in addition to continuing to press for payment, the Lessor may also terminate the Agreement.

9. In addition to paying the rental charge every month, the Lessee shall also pay the public utilities construction charge in accordance with Article 11 of the Regulations Governing the Establishment and Management of Export Processing Zones. The public utilities construction charge shall be calculated at the rate of NT\$ ___ per square meter per month, to be paid for a period of ten years on each plot of land. In the case of land covered by this Agreement, the public utilities construction charge shall be paid until _____.
10. If the government adjusts the land value in accordance with relevant law, the rental charge shall be adjusted according to the new land value beginning on the first day of the month following the month in which the new land value was announced, and the Lessee shall raise no objection thereto.
11. If the Lessee leases the land for construction of a plant building or other building, the Lessee shall complete the construction within three months of the execution of this Agreement, and shall complete construction of the building in accordance with the plan. If the Lessee does not begin construction of the building on schedule, or if, after applying for an extension, the Lessee still fails to begin construction within the new time limit, or if the Lessee fails to complete construction in accordance with the plan, the Lessor may terminate the Agreement and take back the land. Any rental charges and public utilities construction charges already paid will not be returned to the Lessee. If there are any uncompleted buildings on the land, the Lessor may dispose of these in accordance with the law, or may require the Lessee to remove them; the Lessee shall raise no objection to this, and may not refuse to remove the buildings if asked to do so.
12. If, in order to construct a plant building or other building, the Lessee needs to dig up the roads, drainage pipes (or water supply pipes) or other public facilities in the Export Processing Zone, it shall apply to the Lessor for approval in advance and shall pay a deposit. Once the work has been completed and the public facilities restored to their original condition, the deposit will be returned, without interest; the deposit will not be returned if the above requirements are violated.
13. The Lessor may terminate the Agreement by notifying the Lessee in the event that any of the following occurs:
 - (1) If the Lessee uses the land in a way which violates any of the provisions of this Agreement;
 - (2) If the buildings belonging to the Lessee are purchased by price negotiation or compulsory purchase in accordance with Article 12 of the Regulations Governing the Establishment and Management of Export Processing Zones;
 - (3) If the Lessee is in arrears in the payment of the rental charge and other charges by four months or more; or
 - (4) If any other circumstances arise which permit the termination of the Agreement in accordance with the Civil Code or with the Land Law.
14. If the Agreement is terminated in accordance with the preceding Article, the land shall be returned immediately. If there are any buildings belonging to the Lessee on the land, the buildings shall be sold within two years to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after two years, the Lessor may handle the matter in accordance with the law, or may purchase by price negotiation all facilities and goods belonging to the Lessee within the buildings on the rented land; the Lessee shall raise no objection thereto.

15. If, on the expiry of this Agreement, the Lessee wishes to renew the Agreement, it shall submit a written application for renewal of the Agreement to the Lessor at least three months prior to the expiration of the Agreement. If the Lessee does not apply to renew the Agreement by the expiry of the Agreement, the Lessee shall return the land immediately on the expiry of the Agreement. Any buildings belonging to the Lessee on the leased land shall be sold within six months to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after six months, it shall be deemed to breach the Agreement. The Lessor may dispose or purchase all buildings belonging to the Lessee on the leased land and all facilities and goods within the buildings in accordance with the law; the Lessee shall raise no objection thereto.
16. If during the period of validity of this Agreement any of the relevant laws or regulations are revised, the revised laws or regulations shall govern as of the date on which they came into effect; the Lessee shall raise no objection thereto.
17. This Agreement has been executed in two originals and shall take effect upon execution. The Lessor and Lessee shall each retain one original. In the event of a dispute arising with respect to this Agreement, the court of first instance shall be determined by the Lessor.

Parties to the Agreement:

Lessee: Advanced Semiconductor Engineering Inc.
Representative or legal agent: Jason Chang
Address: 26 Ching San Road, Nantze Export Processing Zone
Company registration number: #3641

Lessor: Export Processing Zone Administration, Ministry of Economic Affairs
Legal representative: Chou Yen
Address: 600 Chiachang Road, Nantze District, Kaohsiung City

Date: March 16, 2001

**Lease Agreement for Public Land Managed by Export Processing Zone Administration,
Ministry of Economic Affairs**

Ref. No. (90) Nan-Ehr-Chien-Tzu #002

This lease agreement (hereinafter referred to as the "Agreement") made and entered into by and between Advanced Semiconductor Engineering Inc. (hereinafter referred to as the "Lessee") and the Export Processing Zone Administration, Ministry of Economic Affairs (hereinafter referred to as the "Lessor") for the lease of one plot of public land within the Nantze Export Processing Zone.

1. Leased Land Designation, Area and Rental Charge:

Asset Number	Land Designation				Area Rented (m ²)	Rental Charge per m ² (NT\$)	Rental Charge per Month (NT\$)	Public Facilities Construction Charge Per Month (NT\$)	Notes
	District	Section	Subsection	Lot Number					
CL031	Nantze District	Hoping Section	2 nd Subsection	669	3,053.00	11.50	178,376	5,315	Approval for rental given in Notification Jing Chia Chu (89) Ehr Chien Tzu #8900013277 (dated December 29, 2000) Public Facilities Construction Charge payable for 10 years until November 30, 2007
				670	2,562.00				
				671	2,464.00				
				672	3,596.00				
				673	2,246.00				
				674	397.00				
				675	1,193.00				
Total					15,511.00	11.50	178,376	5,315	

2. The rental period shall be from March 1, 2001 to February 28, 2011.
3. The leased land may be used only by enterprises permitted to operate in the Export Processing Zone for the construction of offices, plant buildings, warehouses or workplaces or by the regulatory authorities for the establishment of branch offices within the Nantze Export Processing Zone.
4. If, during the period of validity of the Agreement, the Lessee ceases to use all or part of the leased land, it shall immediately apply to terminate the Agreement; it shall not transfer, sublet or lend the land to a third party.
5. If the Lessee rents the land for the construction of a plant building or other building, besides leaving setback of 3 meters between the building and land rented by other parties, it shall also leave setback of 6 meters on any side facing onto a main road, 5 meters on any side facing onto an inner ring road or secondary road, and 4 meters on any side facing onto a tertiary road. The Lessee shall pay for and undertake the putting in order and greening of the land reserved for setback.
6. the Lessee rents the land for the construction of a plant building or other building, in principle the building shall have at least two stories. The building area shall not be less than 50% or more than 70% of the total area rented and shall be handled according to the following rules:
 - (1) No buildings shall be erected on the land reserved for setback on the four sides of the land based on the needs of fire prevention, lighting, transportation, beautification etc.
 - (2) At least 20% of the land area remaining after the deduction of the land reserved for setback must be left vacant and not built thereon.
7. Any part of the leased land which is already being used for public facilities shall be administered by the Export Processing Zone Administration; the Lessee shall not use such part for building or any other purpose.
8. The Lessee shall pay NT\$183,691 for rental charge as specified in Article 1 of the Agreement at the appointed agency of national treasury. A penalty of fines shall be levied for arrears in payment as follows:
 - (1) An additional 5% of the rental is added for arrears in payment for over one month and less than two months;

- (2) An additional 10% of the rental is added for arrears in payment for over two months and less than three months; and
- (3) An additional 15% of the rental is added for arrears in payment for over three months and less than four months.

If payment of the rental charge, other fees and breach of contract penalty is overdue by more than four months, in addition to continuing to press for payment, the Lessor may also terminate the Agreement.

9. In addition to paying the rental charge every month, the Lessee shall also pay the public utilities construction charge in accordance with Article 11 of the Regulations Governing the Establishment and Management of Export Processing Zones. The public utilities construction charge shall be calculated at the rate of NT\$11.79 per square meter per month, to be paid for a period of ten years on each plot of land. In the case of land covered by this Agreement, the public utilities construction charge shall be paid until November 30, 2007.
10. If the government adjusts the land value in accordance with relevant law, the rental charge shall be adjusted according to the new land value beginning on the first day of the month following the month in which the new land value was announced, and the Lessee shall raise no objection thereto.
11. If the Lessee leases the land for construction of a plant building or other building, the Lessee shall complete the construction within three months of the execution of this Agreement, and shall complete construction of the building in accordance with the plan. If the Lessee does not begin construction of the building on schedule, or if, after applying for an extension, the Lessee still fails to begin construction within the new time limit, or if the Lessee fails to complete construction in accordance with the plan, the Lessor may terminate the Agreement and take back the land. Any rental charges and public utilities construction charges already paid will not be returned to the Lessee. If there are any uncompleted buildings on the land, the Lessor may dispose of these in accordance with the law, or may require the Lessee to remove them; the Lessee shall raise no objection to this, and may not refuse to remove the buildings if asked to do so.
12. If, in order to construct a plant building or other building, the Lessee needs to dig up the roads, drainage pipes (or water supply pipes) or other public facilities in the Export Processing Zone, it shall apply to the Lessor for approval in advance and shall pay a deposit. Once the work has been completed and the public facilities restored to their original condition, the deposit will be returned, without interest; the deposit will not be returned if the above requirements are violated.
13. The Lessor may terminate the Agreement by notifying the Lessee in the event that any of the following occurs:
 - (1) If the Lessee uses the land in a way which violates any of the provisions of this Agreement;
 - (2) If the buildings belonging to the Lessee are purchased by price negotiation or compulsory purchase in accordance with Article 12 of the Regulations Governing the Establishment and Management of Export Processing Zones;
 - (3) If the Lessee is in arrears in the payment of the rental charge and other charges by four months or more; or
 - (4) If any other circumstances arise which permit the termination of the Agreement in accordance with the Civil Code or with the Land Law.
14. If the Agreement is terminated in accordance with the preceding Article, the land shall be returned immediately. If there are any buildings belonging to the Lessee on the land, the buildings shall be sold within two years to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after two years, the Lessor may handle the matter in accordance with the law, or may purchase by price negotiation all facilities and goods belonging to the Lessee within the buildings on the rented land; the Lessee shall raise no objection thereto.

15. If, on the expiry of this Agreement, the Lessee wishes to renew the Agreement, it shall submit a written application for renewal of the Agreement to the Lessor at least three months prior to the expiration of the Agreement. If the Lessee does not apply to renew the Agreement by the expiry of the Agreement, the Lessee shall return the land immediately on the expiry of the Agreement. Any buildings belonging to the Lessee on the leased land shall be sold within six months to another enterprise operating in the Export Processing Zone approved by the Export Processing Zone Administration or its branch office; the land rental charge for the period up until sale of the buildings shall be paid in accordance with Article 7 of this Agreement. If the Lessee fails to dispose of the buildings in accordance with this Article, or if the disposal procedures have not been completed after six months, it shall be deemed to breach the Agreement. The Lessor may dispose or purchase all buildings belonging to the Lessee on the leased land and all facilities and goods within the buildings in accordance with the law; the Lessee shall raise no objection thereto.
16. If during the period of validity of this Agreement any of the relevant laws or regulations are revised, the revised laws or regulations shall govern as of the date on which they came into effect; the Lessee shall raise no objection thereto.
17. This Agreement has been executed in two originals and shall take effect upon execution. The Lessor and Lessee shall each retain one original. In the event of a dispute arising with respect to this Agreement, the court of first instance shall be determined by the Lessor.

Parties to the Agreement:

Lessee: Advanced Semiconductor Engineering Inc.
Representative or legal agent: Jason Chang
Address: 26 Ching San Road, Nantze Export Processing Zone
Company registration number: #3641

Lessor: Export Processing Zone Administration, Ministry of Economic Affairs
Legal representative: Chou Yen
Address: 600 Chiachang Road, Nantze District, Kaohsiung City

Date: March 1, 2001

First Amendment to Lease Agreement

This First Amendment to Lease Agreement (the "Amendment") is made and entered into as of June 7, 2000, by and between RND Funding Company, Inc., a Delaware corporation ("Landlord"), and ISE Labs, Inc., a California corporation ("Tenant"), with reference to the following facts.

Recitals

- (a) Kim Camp No. VII ("**Original Landlord**") and Alphatec Electronics Company Limited (Public), a Thailand corporation, ("**Original Tenant**") have entered into that certain Lease Agreement dated as of March 23, 1995 (the "**Lease**") for the leasing of certain premises consisting of approximately 70,538 rentable square feet located at 3600 Peterson Way, Santa Clara, California (the "**Premises**") as such Premises are more fully described in the Lease.
- (b) In connection with a transfer by Original Landlord to Landlord of certain real property of which the Premises is a part, Original Landlord assigned all of its right, title and interest in, to and under the Lease to Landlord and Landlord assumed the obligations of Original Landlord under the Lease. In addition, in connection with that certain Assignment and Assumption of Lease dated September 12, 1997, Original Tenant has assigned its right, title and interest in the Lease and Premises to Digital Testing Services, Inc., a California corporation ("Current Tenant")
- (c) Current Tenant now wishes to assign all its right, title and interest in the Lease to Tenant and Tenant wishes to accept said Assignment.
- (d) In addition, Landlord and Tenant now wish to amend the Lease to provide for, among other things, the extension of the Term of the Lease, all upon and subject to each of the terms, conditions and provisions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Recitals:** Landlord and Tenant agree that the above recitals are true and correct and are hereby incorporated herein as though set forth in full.
2. **Assignment and Assumption:** Effective as of the date of this Amendment, Current Tenant hereby grants, transfers, assigns and delegates to Tenant all of its right, title and interest and obligations of Current Tenant under the Lease, and Tenant accepts such assignment and delegation above, assumes the Lease, agrees to pay all rent and other charges accruing under the Lease from and after the date hereof and agrees to observe and perform directly to Landlord, all of the other covenants, agreements and obligations to be observed and/or performed by the tenant under the Lease from and after the date hereof. Tenant has inspected the Premises and knows the present condition thereof and confirms that neither Landlord nor any officer, director, employee, agent or beneficiary of Landlord has made any representation or warranty to Tenant concerning the Premises, or otherwise, expressed or implied, and that Tenant does not accept the Premises in reliance upon any such representation or warranty.
3. **Term:** The Term of the Lease shall be extended for the period commencing on November 1, 2000 through October 31, 2010 (the "**Extended Term**").
4. **Base Rent:** The Basic Lease Information and Section 4 of the Lease are hereby modified to provide that during the Extended Term of the Lease the monthly Base Rent payable by Tenant to Landlord, in accordance with the provisions of Section 4 of the Lease shall be in accordance with the following schedule:

Effective November 1, 2000, the Base Rent shall be \$202,444.06 per month;
Effective November 1, 2001, the Base Rent shall be \$210,541.82 per month;
Effective November 1, 2002, the Base Rent shall be \$218,963.49 per month;
Effective November 1, 2003, the Base Rent shall be \$227,722.04 per month;
Effective November 1, 2004, the Base Rent shall be \$236,830.92 per month;
Effective November 1, 2005, the Base Rent shall be \$246,304.15 per month;
Effective November 1, 2006, the Base Rent shall be \$256,156.32 per month;

Effective November 1, 2007, the Base Rent shall be \$266,402.57 per month;
Effective November 1, 2008, the Base Rent shall be \$277,058.67 per month; and

Effective November 1, 2009, the Base Rent shall be \$288,141.02 per month.

5. Option to Extend the Term: The parties hereby acknowledge and agree that Tenant did exercise the Option to Extend the Term of the Lease in accordance with the terms and provisions set forth in Section 3.2 of the Lease. Tenant further acknowledges and agrees that the Option to Extend the Lease as set forth in Section 3.2 is of no further force and effect, and Tenant does not have any additional rights under the Lease to further extend the Term of the Lease.

6. Condition of Premises: Tenant acknowledges and agrees that its possession of the Premises after October 31, 2000 is a continuation of Tenant's possession of the Premises under the Lease. Tenant is familiar with the condition of the Premises, and agrees to accept the Premises in their existing condition "AS IS", without any obligation of Landlord to remodel, improve or alter the Premises, to perform any other construction or work of improvement upon the Premises, or to provide Tenant with any construction or refurbishing allowance, except as expressly otherwise provided in Section 7 below.

7. Tenant Improvement Allowance: Subject to the terms and provisions of this Amendment, Landlord shall, within thirty (30) days of receipt of all required documents from Tenant, provide to Tenant an allowance in the amount of \$211,614.00 (the "**Tenant Improvement Allowance**") to construct and install in the Premises the Tenant Improvements as defined herein.

"**Tenant Improvements**" as used in this Amendment shall include only those interior improvements to be made to the Premises as agreed to by Tenant and Landlord in accordance with the provisions hereof. "**Tenant Improvements**" shall specifically not include (i) any of Tenant's trade fixtures (not including Tenant's test floor area floor covering), racking, security equipment, equipment, furniture, furnishings, telephone and/or data equipment, telephone and/or data lines or other personal property, and (ii) any supplemental fire protection improvements or equipment, including without limitation, in-rack fire sprinklers, hose racks, reels, smoke vents, and draft curtains (collectively "**Tenant's Installations**").

Tenant shall prepare plans and specifications ("**Plans and Specifications**") for the Tenant Improvements. Tenant shall deliver the Plans and Specifications to Landlord, in form and with sufficient detail as reasonably requested by Landlord. Landlord shall reasonably approve or disapprove the Plans and Specifications within five (5) days after Landlord receives the Plans and Specifications and, if disapproved, Landlord shall return the Plans and Specifications to Tenant, who shall make all necessary revisions as reasonably required by Landlord. This procedure shall be repeated until Landlord approves the Plans and Specifications. The approved Plans and Specifications, as modified, shall be deemed the "**Final Plans and Specifications**".

Tenant shall be solely responsible for the construction, installation and completion of the Tenant Improvements in accordance with approved Final Plans and Specifications and is solely responsible for the payment of all amounts when payable in connection therewith without any cost or expense to Landlord, except for Landlord's obligation to contribute the Tenant Improvement Allowance in accordance with the provisions herein. Tenant shall diligently proceed with the construction, installation and completion of the Tenant Improvements in accordance with the completion schedule reasonably approved by Landlord, subject to force majeure and Landlord delays.

Tenant, at its sole cost and expense (which may be paid out of the Tenant Improvement Allowance), shall obtain all governmental approvals to the full extent necessary for the issuance of a building permit for the Tenant Improvements, if required by applicable law or code. Tenant at its sole cost and expense (which may be paid out of the Tenant Improvement Allowance) shall undertake all steps necessary to insure that the construction of the Tenant Improvements is accomplished in strict compliance with all statutes, laws, ordinances, codes, rules, and regulations applicable to the construction of the Tenant Improvements and the requirements and standards of any insurance underwriting board, inspection bureau or insurance carrier insuring the Premises.

Subject to Landlord complying with its obligations to provide the Tenant Improvement Allowance herein, Tenant shall pay and discharge promptly and fully all claims for labor done and materials and services furnished in connection with the Tenant Improvements. The Tenant Improvements shall not be commenced until ten (10)

business days after Landlord has received notice from Tenant stating the date the construction of the Tenant Improvements is to commence so that Landlord can post and record any appropriate Notice of Non-responsibility.

Tenant shall maintain, and case to be maintained, during the construction of the Tenant Improvements, at its sole cost and expense, builders' risk insurance for the amount of the completed value of the Tenant Improvements on an all-risk non-reporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as the Landlord shall reasonably require in connection with the Tenant Improvements.

Upon completion of the Tenant Improvements and prior to any payment of the Tenant Improvement Allowance by Landlord, Tenant shall deliver to Landlord the following, all of which shall be to Landlord's reasonable satisfaction:

(i) A cost breakdown itemizing all expenses for the Tenant Improvements, together with invoices and receipts for the same or other evidence of payment.

(ii) Final and unconditional mechanic's lien waivers from Tenant's general contractor for all the Tenant Improvements.

8. Excess Rents: Section 14.4 of the Lease shall be deleted in its entirety and shall now read as follows:

"If Landlord consents to a sublease or assignment, as a condition thereto which the Tenant hereby agrees is reasonable, Tenant shall pay to Landlord, as Additional Rent any "Excess Rents" received by Tenant from such assignee or sublessee. The term "**Excess Rents**" shall mean all rent, additional rent and other consideration payable by such assignee or sublessee which either initially or over the term of the sublease or assignment exceeds the Rent or pro rata portion of the Rent, as the case may be, for such space reserved in the Lease. Tenant shall pay the Landlord monthly, as Additional Rent, at the same time as the monthly installments of Rent are payable hereunder, fifty percent (50%) of the Excess Rents after the recovery by Tenant of reasonable amounts for brokerage commissions, legal expenses, and Tenant Improvement costs to the extent such items have been incurred by Tenant in connection with the subject sublease or assignment."

9. Security Deposit: The parties acknowledge that Landlord now holds the sum of \$54,314.26, to be applied subject to the provisions of the Lease. Current Tenant releases all claims to that sum, and agrees that the sum shall be held by Landlord for the benefit of Tenant, subject to the provisions of the Lease. In addition, Tenant shall upon execution of this First Amendment, deposit with Landlord the amount of \$233,826.76 which shall be added to the existing Security Deposit to total \$288,141.02.

10. Current Tenant's and Tenant's Continuing Obligations to Landlord: Current Tenant hereby covenants, warrants and agrees for the benefit of Landlord that notwithstanding the assignment made herein, Current Tenant shall in all events and circumstances remain primarily liable to Landlord for and not be released or discharged from the performance of the tenant's obligations under the Lease (whether past, present or future), all of which liabilities and obligations Current Tenant agrees to pay and perform promptly, and Current Tenant and Tenant hereby covenant and warrant to Landlord that after the Assignment Date, Current Tenant and Tenant shall be jointly and severally liable under the Lease for all of the tenant's obligations under the Lease, except that Tenant shall only be liable for such obligations arising from and after the date hereof. Current Tenant and Tenant hereby further covenant and warrant that Landlord's consent to this assignment shall not in any manner affect Landlord's ability to proceed against Current Tenant and Tenant, both jointly and severally, for any failure by Tenant or Current Tenant to perform any of its obligations under the Lease, nor shall any such consent be construed as a waiver by Landlord of any of its rights or remedies under the Lease. In the event of any conflict or dispute between Current Tenant and Tenant with respect to each of their obligations under the Lease, Landlord shall not be affected, impaired or otherwise adversely affected thereby, and Current Tenant and Tenant, jointly and severally, shall protect, hold harmless, defend and indemnify Landlord from and against any and all claims, damages, judgments, liabilities, losses, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, arising from or related to this Agreement, any brokerage commissions or fees asserted against or

incurred by Current Tenant and/or Tenant, and any disputes or conflicts between Current Tenant and Tenant with respect to the Lease, this Agreement, the Premises or any other matters affecting Landlord.

11. Effect of Amendment: Except as modified herein, the terms and provisions of the Lease shall remain unmodified and continue in full force and effect. In the event of any conflict between the terms and provisions of the Lease and this Amendment, the terms and provisions of this Amendment shall prevail.

12. Definitions: Unless otherwise defined in this Amendment, all terms not defined in this Amendment shall have the meaning set forth in the Lease.

13. Authority: Subject to the provisions of the Lease, this Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns. Each party hereto and the persons signing below warrant that the person signing below on such party's behalf is authorized to do so and to bind such party to the terms of this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

Current Tenant:

Digital Testing Services, Inc.,
a California corporation

By: /s/

Its: VP of Corp. Planning & Quality

Date: June 27, 2000

Tenant:

ISE LABS, INC.,
a California corporation

By: /s/

Its: VP of Corp. Planning & Quality

Date: June 27, 2000

Landlord:

RND FUNDING COMPANY, INC.,
a Delaware corporation

By: /s/

Its: Vice President

Date: June 29, 2000

DATED THIS 3rd DAY OF October, 2000

BETWEEN

WAN TIEN REALTY (PTE) LTD

AND

ISE LABS SINGAPORE PTE LTD

SUB-LEASE AGREEMENT

THIS Sub-lease is made the 3rd day of October Two Thousand (2000) Between **WAN TIEN REALTY (PTE) LTD**, a company incorporated in the Republic of Singapore and having its registered office at 39 Robinson Road #18-01 Robinson Point, Singapore 068911 (hereinafter referred to as “the Sub-lessor”) of the one part AND **ISE LABS, SINGAPORE PTE LTD (Company Registration No. 199800834K)** a company incorporated in the Republic of Singapore and having its registered office at 7 Temasek Boulevard #21-02 Suntec Tower 1 Singapore 038987 (hereinafter referred to as “the Sub-Lessee”) of the other part.

Parties

WITNESSETH as follows:

1. IN CONSIDERATION of the rents and the Sub-lessee’s covenants hereinafter reserved and contained the Sub-lessor hereby demises unto the Sub-lessee **ALL THAT** premises more particularly described in the First Schedule hereto (hereinafter called “the Demised Premises”) being a part of the Industrial Park known as “**TECHNOPARK @ CHAI CHEE**”, Chai Chee Road, Singapore (hereinafter called “the Industrial Park”) together with (but to the exclusion of all other liberties easements rights or advantages):

Demise

- (a) The right for the Sub-lessee and others duly authorised by the Sub-lessee of ingress and egress to and from the Demised Premises in over and along all the usual entrances landings lifts and passage ways leading thereto in common with the Sub-Lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto, such rights being only so far as is necessary as the Sub-lessor can lawfully grant.
- (b) The right to the free and uninterrupted use of all electric, telephone and other pipes, wires and cables upon through or under adjacent premises in the Industrial Park all such rights to be so far as is necessary for the enjoyment of the Demised Premises and in common with the Sub-lessor and others so authorised by the Sub-lessor and all other persons entitled thereto.
- (c) The right for the Sub-lessee and all others authorised by the Sub-lessee to the use and benefit of the air-conditioning system installed in the Industrial Park in common with the Sub-lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto.
- (d) The right for the Sub-lessee and others authorised by the Sub-lessee to the use of such sufficient toilet facilities in the Industrial Park as shall be provided by the Sub-lessor but such use shall be in common with the Sub-lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto.

EXCEPTING AND RESERVING unto the Sub-lessor the free uninterrupted use of all gas water and other pipes, electric telephone and other wires conduits flues and drains in through or under the Demised Premises TO HOLD the Demised Premises unto the Sub-Lessee for the term of three (3) years from the 16th day of July 2000 (hereinafter called the “Date of Commencement”) YIELDING AND PAYING THEREFOR during the term hereby created the rent calculated at the rate specified in the Second Schedule hereto, and the rent shall be paid in advance and clear of all deductions by three-monthly payments respectively on the 1st day of January, April, July and October in each year (hereinafter called the “Payment Dates”). Provided that on or before the Date of Commencement the Sub-lessee shall pay to the Sub-lessor a pro-rated quarterly payment calculated from the Date of Commencement up to the day immediately before the next Payment Date and thereafter the rent shall be paid on the Payment Dates.

Annual Rent

2. The Sub-lessee hereby covenants with the Sub-lessor as follows:

Sub-lessee’s
Covenants

- (a) To pay the said rent on the Payment Dates and in the manner aforesaid.
- (b) To pay to the Sub-lessor on or before the execution of this Sub-lease the sum of **Dollars Forty-Three Thousand Two Hundred and Ninety-Six Only (\$43,296.00)**

Rent

Deposit

equivalent to three (3) months' rent to be held by the Sub-lessor as security for the due observance and performance by the Sub-lessee of all and singular the several covenants conditions stipulations and agreements on the part of the Sub-lessee herein contained, which sum shall be maintained at this figure during the term hereby created and shall not be deemed to be or treated as payment of the rent and the same shall be refunded to the Sub-lessee without interest on the expiration of the term hereby created less such sum as may be due to the Sub-lessor.

Provided that in lieu of payment of the said sum of Dollars, the Sub-lessee may obtain and deliver to the Sub-lessor a guarantee in writing or an irrevocable letter of credit issued by a bank acceptable to the Sub-Lessor undertaking to pay the said sum on demand by the Sub-lessor which guarantee or irrevocable letter of credit shall be on terms and conditions acceptable to the Sub-lessor.

(c) To pay to HDB all sub-letting fees and impositions whatsoever which are now or which at any time hereafter during the term hereby created may be imposed or charged in respect of the sub-letting of the Demised Premises to the Sub-lessee.

Sub-letting Fees

(d) (i) During the term hereby created to pay and increase of property tax or other imposition of a like nature by whatever name called whether by way of an increase in the rate of tax or imposition or an increase in the annual value not being the first increase in the annual value brought about by the erection and construction of the Industrial Park over and above the amount of such property tax or imposition levied or imposed as at the Date of Commencement where such increase is due or attributable to an increase in the rate of property tax payable or an increase in the annual value aforesaid and to pay any new imposition (including surcharge on property tax) by whatever name called which may hereafter be levied or imposed on the Demised Premises. In the event of the Demised Premises not being separately assessed but the Industrial Park being assessed as a whole then for the purpose of ascertaining the additional or other amount payable by the Sub-lessee under this Clause any such increase in property tax or outgoing or any new imposition shall be apportioned and the Sub-lessee shall pay such proportion thereof as the floor area of the Demised Premises bears to the total area of the rentable floor space in the Industrial Park.

Property Tax and
Other Taxes

(ii) It is hereby agreed that the rent and other sums payable by the Sub-lessee under this Sub-lease (hereinafter collectively called "the Agreed Sum") shall, as between the Sub-lessor and the Sub-lessee, be exclusive of any applicable goods and services tax, imposition, duty and levy whatsoever (hereinafter collectively called "Taxes") which may from time to time be imposed or charged before, on or after the commencement of this Sub-lease (including any subsequent revisions thereto) by any government, quasi-government, statutory or tax authority (hereinafter called "the Authorities") on or calculated by reference to the amount of the Agreed Sum (or any part thereof) and the Sub-lessee shall pay all such Taxes or reimburse the Sub-lessor for the payment of such Taxes, as the case may be, in such manner and within such period as to comply or enable the Sub-lessor to comply with any applicable orders or directives of the Authorities and the relevant laws and regulations.

If the Sub-lessor or the Sub-lessee (or any persons on their behalf) is required by law to make any deduction or withholding or to make any payment, on account of such Taxes, from or calculated by reference to the Agreed Sum (or any part thereof):-

(aa) the Sub-lessee shall pay, without requiring any notice from the Sub-lessor all such Taxes for its own account (if the liability to pay is imposed on the Sub-lessee), or on behalf of and in the name of the Sub-lessor (if the liability to pay is imposed on the Sub-lessor) on receipt of written notice

from the Sub-lessor, and without prejudice to the foregoing, if the law requires the Sub-lessor to collect and to account for such Taxes, the Sub-lessee shall pay such Taxes to the Sub-lessor (which shall be in addition to the Sub-lessee's liability to pay the Agreed Sum) on receipt of written notice from the Sub-lessor; and

- (bb) the sum payable by the Sub-lessee in respect of which the relevant deduction, withholding or payment is required on account such Taxes, shall be increased to the extent necessary to ensure that after the making of the aforesaid deduction, withholding or payment, the Sub-lessor or any person or persons to whom such sum is to be paid, receives on due date and retains (free from any liability in respect of any such deduction, withholding or Taxes) a net sum equal to what would have been received and retained had no such deduction, withholding or payment been required or made.

The rights of the Sub-lessor under this clause shall be in addition and without prejudice to any other rights or powers of the Sub-lessor under any applicable order or directive of the Authorities or any relevant law or regulation, to recover from the Sub-lessee the amount of such Taxes which may be or is to be paid or borne by the Sub-lessor.

The Sub-lessee shall indemnify and hold harmless the Sub-lessor from any losses, damages, claims, demands, proceedings, actions, costs, expenses, interests and penalties suffered or incurred by the Sub-lessor arising from any claim, demand, proceeding or action that may be made or instituted by the Authorities in respect of such Taxes and resulting from any failure or delay on the part of the Sub-lessee in the payment and discharge of any such Taxes.

Without prejudice to any of the foregoing provisions, the Sub-lessee shall pay and reimburse the Sub-lessor for all goods and services tax which may from time to time be imposed or charged before, on or after the commencement of this Sub-lease in respect of any supply which may be determined by The Comptroller of Goods and Services Tax under or in connection with the occupation and lease of the Demised Premises and the Sub-lessee shall indemnify and hold harmless the Sub-lessor from any losses, damages, claims, demands, proceedings, actions, costs, expenses, interests and penalties suffered or incurred by the Sub-lessor in respect of any such goods and services tax.

- (e) To pay all stamp duty and all the Sub-lessor's legal costs charges and expenses of and incidental to the preparation completion stamping and registration of this Sub-lease and or any surrender or other termination thereof otherwise then by effluxion of time and in case of default by the Sub-lessee in performing or observing any covenants herein contained or implied the Sub-lessee shall pay to the Sub-lessor all legal costs and expenses on an indemnity basis and all other costs charges and expenses for which the Sub-lessor shall become liable in consequence of or in connection with any default within seven (7) days of the Sub-lessor requesting him so to do.
- (f) To pay all rates charges and the like (including taxes) for services supplied and metered separately to the Demised Premises and charged by the Public Utilities Board or other authority(ies) or undertaking and in the event of such services not being supplied and metered separately to the Demised Premises to pay to the Sub-lessor a proportionate part of the cost thereof, such cost to be calculated by the Sub-lessor and notified to the Sub-lessee in writing and such notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof and in the event of the Public Utilities Board or other authority(ies) or undertaking responsible for the supply of services supplied and used in the Industrial Park increasing the charges therefor the Sub-lessee shall pay to the Sub-lessor a

Legal and Other Costs

PUB and Other Charges

proportionate part of such increased costs as calculated by a Sub-lessor and notified to the Sub-lessee in writing which notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof. Subject to the approval of HDB, the Sub-lessor may cause to be installed in the Industrial Park at the expense of the Sub-lessee separate meters to measure the consumption of the said services by the Sub-lessee. Provided Always that nothing herein shall render it obligatory on the part of the Sub-lessor to supply or cause to be supplied such services to the Demised Premises, unless expressly agreed to by the Sub-lessor.

- (g) Subject to all approvals being obtained by the Sub-lessee from the HDB and the relevant authorities, to install at the Sub-lessee's own cost and expense and all electrical or other appliances including telephones and teleprinters (as the Sub-lessee may require) in such a manner that the wires shall not run across the floor or ceiling or along the walls of the Demised Premises so as to be visible in the Demised Premises but shall be concealed in metal conduits and if running along the floor shall be concealed in the ducts in the underfloor trunking. Electrical And Other Appliances
- (h) Without prejudice to Clause 2(n) hereof to give notice forthwith to the Sub-lessor of any damage that may occur to the Demised Premises and of any accident to or defect in the water pipes, gas pipes, electrical wiring, air-conditioning ducts or any other fittings and/or fixtures therein. Notice of Damage
- (i) Subject to the prior written consent of the Sub-lessor and to all approvals being obtained by the Sub-lessee from the relevant authorities to carry out within the Demised Premises at the Sub-lessee's own cost and expense all fittings and works which are not provided by the Sub-lessor including all or any of the following as may be necessary: Internal Fittings and Works
- (i) partitioning within the Demised Premises;
 - (ii) installation of all necessary air-conditioning distribution ducts connecting the same to the main air-conditioning ducts of the Industrial Park;
 - (iii) installation of all necessary electrical wiring conduits fittings and fixtures;
 - (iv) provision of interior plaster or other materials or rendering on walls floors and ceiling; and
 - (v) where water or gas is to be supplied to the Demised Premises, installation water and other pipes apparatus fittings fixtures and all necessary plumbing.
- All debris and waste materials of whatever nature resulting from the aforesaid works shall be disposed by the Sub-lessee in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount hereof.
- (j) To use for carrying out the works referral to in Clause 2(i) above materials of such standards as to type quality and size as the Sub-lessor shall determine and cause such partitions installations and other works to be carried out in the Demised Premises in accordance with plans specifications that shall have received the prior written approval of the Sub-lessor and the relevant authorities. Such works shall only be effected by a contractor approved by the Sub-lessor and in accordance with approved plans and specifications under the supervision of an architect or engineer approved by the Sub-lessor and the completion thereof shall be subject to approval by the Sub-lessor and the Sub-lessee shall not make any additions, alterations or renovations to the said works except with the prior approval in writing of the Sub-lessor. Installations and Partitions
- (k) Not to make or permit to be made any works alterations in or additions to the Demised Premises or any part thereof or the fixtures and fittings therein without Alterations and Additions

having first obtained the written consent of the Sub-lessor and the relevant authorities and in the event of such consent being given to carry out at the Sub-lessee's own cost and expense such alterations or additions with such materials and in such manner and at such time(s) as shall be designated by the Sub-lessor.

- (l) The fees of any architect engineer or other consultant employed by the Sub-lessor for the purpose of considering and approving any plans specifications materials and all works carried out by the Sub-Lessee and all other costs, charges and expenses incurred by the Sub-lessor in connection therewith shall be a debt due from the Sub-Lessee to the Sub-Lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. No delay in carrying out and completing all or any of the said works (including installations of telephones and teleprinters) in at or about the Demised Premises, whether caused by any governmental and/or statutory authorities or otherwise, shall be a ground for postponing the commencement of the term hereby created or relieve in any way the Sub-lessee from the performance and observance of the covenants conditions and stipulations herein contained and on his part to be performed and observed.

Fees of Architects
Engineers etc.
- (m) (i) Not to use or permit the Demised Premises for purposes other than for testing of semiconductors.

Permitted Use of
Demised Premises
- (ii) To use at least 60% of the overall floor area of the Demised Premises for pure industrial activities inclusive of ancillary store and the remaining 40% of the said overall floor area as ancillary office, independent warehouse, showroom and communal facilities. The Sub-lessee are not to use any part of the Demised Premises for commercial office and storage unrelated to the approved industrial activity.
- (n) To permit the Sub-lessor and its agents with or without workmen and others and with or without appliances and/or materials from time to time at all reasonable times to enter upon the Demised Premises or any part thereof and to view, inspect and test the condition thereof, or make such investigations as the Sub-lessor may deem necessary, and to do such works and things as may be required for any repairs rectifications alterations or improvements to the Demised Premises or any part or parts of the Industrial Park, and forthwith to repair amend and make good in proper and workmanlike manner any defects for which the Sub-lessee is liable and of which a written notice shall be given to the Sub-lessee or left on the Demised Premises and to pay the Sub-lessor's cost of survey or otherwise in respect of the preparation of any such notice and if the Sub-lessee shall not within such period of time as required by the Sub-lessor proceed diligently with the execution of such repairs rectifications or works then the Sub-lessor may enter upon the Demised Premises and execute such repairs rectifications or works and the cost thereof shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. The Sub-lessee shall also permit and/or allow the Sub-lessor their employees servant agents and/or such other person as may be authorised by the Sub-lessor from time to time to enter and remain upon the Premises or any part thereof as may be required by the Sub-lessor for the purposes of the Sub-lessor's works of whatsoever nature to the Premises. The costs of such works shall be borne by the Sub-lessor and neither the Sub-lessor nor the Sub-lessee shall have any claims (whether for direct indirect and/or consequential losses) in connection with the said works unless such works are necessitated by a breach act omission and/or default by the Sub-lessee or if the Sub-lessee is liable for the same.

Access to Demised
Premises
- (o) At all times to keep the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors, windows, glass, locks fastening electric wires and installations and fittings for light and power in a clean and good state of

Tenantable Repair

tenantable repair and decorative order and condition (fair wear and tear excepted) and to replace or repair any part of the Demised Premises and the fixtures and fittings therein which shall be broken or damaged and further if any damage is caused to the Sub-lessor or to any person whomsoever directly or indirectly through the said damaged condition of any part of the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors, windows, glass, locks fastenings electric wires and installation and fittings for light and power the Sub-lessee shall be wholly responsible therefor and shall fully indemnify the Sub-lessor against all claims demands actions and legal proceedings whatsoever.

- (p) To keep the Demised Premises and every part thereof clean and in the fullest possible hygienic condition and to keep all pipes drains basins sinks and water closets if any in the Demised Premises clean and unblocked. Any cleaners employed by the Sub-lessee for the purposes hereof shall be at the sole expense and responsibility of the Sub-lessee and shall be subject to the prior written approval of the Sub-lessor. In addition all debris and waste materials of whatever nature shall be disposed of by the Sub-lessee, daily, in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount hereof. Cleaning of Demised Premises
- (q) (i) Not to affix erect attach paint or exhibit or permit or suffer so to be upon any part of the exterior of the Demised Premises any placard poster notice advertisement name or sign or television or wireless mast or aerial whatsoever save and except such as shall have been previously approved in writing by the Sub-lessor. Signs, Unsightly Objects
- (ii) To keep the windows of the Demised Premises closed at all times so as to maintain an efficient air-conditioning system and not to erect or install thereon or on any glass panel any sign, device, furnishing ornament or object which is visible from outside the Demised Premises and which, in the opinion of the Sub-lessor, is incongruous or unsightly or may detract from the general appearance of the building.
- (r) Not to use or permit the Demised Premises to be used for any unlawful or immoral purpose and not to do or permit to be done any act or thing which in the opinion of the Sub-lessor may become a nuisance disturbance or cause or likely to cause damage to the Sub-lessor or its Sub-lessees or other persons occupying or using the Industrial Park or any part thereof. Noise/Nuisance
- (s) Not to obstruct litter or make untidy any parts of the Industrial Park. Obstruction and Littering
- (t) Not to block up, darken or obstruct any of the windows or light belonging to the Demised Premises or to any part of the Industrial Park. Obstruction of Light
- (u) Not to place or take into the passenger lifts any baggage furniture parcels sacks bags heavy articles or other goods or merchandise without the prior approval of the Sub-lessor save only such light articles as brief-cases, attache cases and handbags. Use of Lifts
- (v) To use the service lift(s) provided for the Industrial Park in a manner prescribed by the Sub-lessor.
- (w) At all times during the term hereby created to comply with promptly and at the Sub-lessee's expense all such requirements as may be imposed on the occupier of the Demised Premises by any statute now or hereafter in force and bye-laws orders rules regulations requirements and notices thereunder and to indemnify and keep the Sub-lessor fully indemnified against all costs claims liabilities fines or other expenses whatsoever which may fall upon the Sub-lessor by reason of any non-compliance Compliance With Statutes, Bye-Laws etc.

thereof. In addition and without prejudice to the foregoing if the Sub-lessee is a sole proprietorship or partnership the Sub-lessee shall submit to the Sub-lessor evidence of his/their registration with the Registrar of Business Names or any subsequent renewal thereof.

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|---|---|
| <p>(x) Not to bring or allow to be brought on to the Demised Premises or any part of the Industrial Park used in common with the Sub-lessor and other Sub-lessee any machines or machinery save and except typewriters and such equipment as are required for the business of the Sub-lessee subject to the other provisions herein contained.</p> | <p>Machinery</p> |
| <p>(y) Subject to Clause 4(j) hereof not to load to permit or suffer to be loaded on any part of the floors of the Demised Premises to a weight greater than as specified in the Third Schedule hereto except otherwise approved in writing by the Sub-lessor and shall when required by the Sub-lessor distribute any load on any part of the floor of the Demised Premises in accordance with the directions and requirements of the Sub-lessor and in the interpretation and application of the provisions of this Clause the decision of the surveyor architect or engineer of the Sub-lessor shall be final and binding of the Sub-lessee.</p> | <p>Excess Load</p> |
| <p>(z) Not without the prior written consent of the Sub-lessor to permit any vendors of food or drink or the servants or agents of such vendors to bring on to the Demised Premises or any part thereof or on to the Industrial Park or any part thereof food or drink for the consumption by the occupiers of the Demised Premises save and except contractors who have been given the right by the Sub-lessor to provide food and drink service for the occupiers of the Industrial Park.</p> | <p>Food and Drink</p> |
| <p>(aa) Not to store in or bring upon any part of the Demised Premises or the Industrial Park any arms ammunition or unlawful goods or any explosive, toxic or combustible substance or any substance of dangerous nature or to use the Demised Premises or any part thereof for the storage or cooking of food or to permit or suffer anyone to sleep or reside therein or to permit any auction sale to take place therein or thereat.</p> | <p>Prohibited Uses</p> |
| <p>(ab) Not to do or permit or suffer to be done anything whereby the policy or policies of insurance against damage or loss by fire or other risks on the Industrial Park or any part thereof may be rendered void or voidable or whereby the rate of premium thereon may be increased and to make good all damage suffered by the Sub-lessor and to repay to the Sub-lessor all sums paid by way of increased premium and all expenses incurred by the Sub-lessor in or about the renewal of such policy or policies rendered necessary by the breach or non-observance of this covenant without prejudice to any other rights of the Sub-lessor.</p> | <p>Avoidance of Insurance Policy and Additional Premium</p> |
| <p>(ac) Not to assign sublet license or in any way dispose of or part with possession of the Demised Premises or any part thereof or either by way of sub-letting sharing or other means whereby any company person or persons not a party to this Sub-lease obtains the use or possession of the Demised Premises or any part thereof irrespective of whether or not any rental or other consideration is given for such use or possession and in the event of such transfer or sharing this Sub-lease shall at the option of the Sub-lessor forthwith be determined and the Sub-lessee shall forthwith surrender the Demised Premises of the Sub-lessor with vacant possession. For the purposes hereof any amalgamation and/or reconstruction effected by the Sub-lessee (if a company) shall be deemed an assignment of this Sub-lease.</p> | <p>Subletting and Assignment</p> |
| <p>(ad) That the Sub-lessee shall indemnify and keep indemnified the Sub-lessor and the HDB in full from and against:</p> <p style="margin-left: 20px;">(i) all claims demands actions suits proceedings orders damages costs losses and expenses of any nature whatsoever which the Sub-lessor or the HDB may suffer or incur in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrences in, upon or at the Demised</p> | <p>Indemnity</p> |

Premises or the use of the Demised Premises or any part thereof by the Sub-lessee;

- (ii) all loss and damage to the Demised Premises the Industrial Park and to all property therein caused directly or indirectly by the Sub-lessee and in particular but without limiting the generality of the foregoing caused directly or indirectly by the use or misuse, waste or abuse of water gas or electricity or faulty fittings or fixtures of the Sub-lessee.
- (ae) To observe and perform and to cause all his employees independent contractors agents invitees and licensees to observe and perform all the rules and regulations made by the Sub-lessor under Clause 4(1) hereof for the proper management of the Industrial Park and notified in writing by the Sub-lessor to the Sub-lessee from time to time.

Rules and
Regulations

Provided Always that the Sub-lessor shall not be liable to the Sub-lessee in any way for violation of the rules and regulations by any persons including either Sub-lessees of the Industrial Park or the employees independent contractors agents visitors invitees or licensees thereof.

- (af) Subject to Clause 2(ai) hereof, not to remove at or prior to the expiration or sooner determination of the term hereby created unless required by the Sub-lessor any electrical wiring installation or fixtures air-conditioning ducts conduits water and other pipes ceilings partitions and flooring installed or fixed by the Sub-lessee in at or about the Demised Premises.
- (ag) Immediately upon the expiration or sooner determination of the term hereby created to yield up to the Sub-lessor the Demised Premises with the fixtures and fittings thereto (including such Sub-lessee's fixtures as are required by the Sub-lessor pursuant to the foregoing) in good clean tidy and tenantable repair and condition (fair wear and tear excepted).
- (ah) In addition to the foregoing and immediately prior to the expiration or sooner determination of the term hereby created and as instructed by the Sub-lessor to restore the Demised Premises to its original state and condition to the satisfaction of the Sub-lessor and if the Sub-lease shall fail to restore the Demised Premises as aforesaid the Sub-lessor may restore the same and recover from the Sub-lessee the costs of such restoration together with all rent and other amounts which the Sub-lessor would have been entitled to receive from the Sub-lessee had the period within which such restoration is effected by the Sub-lessor been added to the term hereby created provided that such period to be added by the Sub-lessor shall not exceed fifteen (15) days.
- (ai) In complying with Clause 2(ah) hereof and if so required by the Sub-lessor, the Sub-lessee shall remove all such internal partitions and/or fixtures and installation of the Sub-lessee or any part thereof as are not required by the Sub-lessor pursuant to Clause 2(af) hereof from all portions of the Demised Premises vacated by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and in default thereof the Sub-lessor may remove and dispose of the same. All damage done to the Demised Premises by such removal shall be made good by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and if the Sub-lessee fails to do so the Sub-lessor may make good all such damage. All costs incurred by the Sub-lessor in such removal or disposal or in making good such damage shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount hereof.
- (aj) Not to use the Demised Premises for tin-smelting or the production of tin by

Prohibition Against
Removal

Yielding up of
Premises

Restoration

Removal of Internal
Fittings and Works

Tin Smelting

other processes including electrolysis.

- | | |
|--|--|
| (ak) Not to utilise the Demised Premises before obtaining clearance on the use of the Demised Premises from the Pollution Control Department. | Approval From Pollution Control Department |
| (al) Not to utilise the Demised Premises before submitting details of trade effluent discharge to the Sewerage Department for consideration. | Approval from Sewerage Department |
| (am) Without prejudice to the generality to Clause 2(w) above, not to use, permit or suffer the Demised Premises to be kept or used as a place or premises in which any person is employed in contravention of Section 57(1)(e) of the Immigration Act (Chapter 133), Section 5 of the Employment of Foreign Workers Act (Chapter 91A) and any other laws, statutory modification or re-enactment thereof for the time being in force and to indemnify the Sub-lessor against all costs, claims, liabilities, fines or expenses whatsoever which may fall upon the Sub-lessor by reason of any non-compliance thereof. | Contravention of Immigration Act |
| (an) The Sub-lessor shall have the right at all times without obtaining any consent from the Sub-lessee, to change the name or a number by which the Building is known. | Use of Name of Building |
| (ao) During the six (6) months immediately preceding the expiration of the term hereby created, the Sub-lessee shall permit the Sub-lessor or its agents to exhibit outside the Demised Premises or on the doors thereof a notice for reletting of the Demised Premises and shall permit all prospective Sub-lessees of the Demised Premises accompanied by a representative of the Sub-lessor at all reasonable times after giving prior notice to the Sub-lessee to enter the Demised Premises for the purpose of viewing the Demised Premises. | Viewing by prospective Sub-lessees |
| 3. The Sub-lessor hereby covenants with the Sub-lessee as follows: | Sub-Lessor's Covenants |
| (a) To pay all rates taxes and assessments imposed upon or in respect of the Industrial Park or any part thereof save and except those which the Sub-lessee has covenanted to pay. | Payment of Rates, Taxes etc. |
| (b) That the Sub-lessee duly paying the rent hereby reserved and observing and performing the several covenants and obligations hereinbefore contained shall peaceably hold and enjoy the Demised Premises during the term hereby created without any disturbance by the Sub-lessor or any person lawfully claiming under or in trust for the Sub-lessor unless otherwise provided herein. | Quiet Enjoyment |
| (c) So far as practicable but subject always to Clause 4 hereof to provide: | Air-Conditioning Electricity and Water |
| (i) Air-conditioning services; | |
| (ii) Electricity for the lighting of the passages corridors toilets and other parts of the Industrial Park used by the Sub-lessee in common with others; | |
| (iii) Water for the common toilets (except those within the Demised Premises) in the Industrial Park. | |
| (d) To keep the roof main drains and pipes all external walls and all common areas of the Industrial Park including the entrances corridors passages stairways landings car-park lifts common toilets clean and in good repair including repainting and redecorating of the same or any part thereof at such times and in such manner as the Sub-lessor in its absolute discretion may consider necessary. Provided Always that the Sub-lessor shall not be liable for any loss or injury sustained by the Sub-lessee through the neglect default negligence or misconduct of the Sub-lessor's cleaning contractors agents servants and/or licenses. | Common Areas |
| (e) To keep the lifts staircases landings and such common parts as aforesaid well and | Lighting and |

- sufficiently cleaned and lighted and to keep the lifts in proper working order and to employ a watchman or watchmen for the protection at night of the Industrial Park (but not so as to render the Sub-lessor liable for any loss sustained by the Sub-lessee through the neglect default negligence or misconduct of such watchman or watchmen).
- Watchmen
- (f) At all times throughout the term hereby created to insure and keep insured the Industrial Park (excluding the Sub-lessee's fittings and fixtures) against loss or damage by fire.
- Insurance
4. PROVIDED ALWAYS and it is hereby agreed and declared as follows:
- (a) If the rent hereby reserved or any part thereof shall at any time be unpaid for fourteen (14) days after becoming payable (whether any formal or legal demand therefore shall have been made or not) or if any covenant on the Sub-lessee's part herein contained shall not be performed or observed or if the Sub-lessee being a company shall be struck off the Register of Companies or shall go into liquidation whether voluntary (except for the purpose of amalgamation or reconstruction) or compulsorily or a receiver shall be appointed of its undertaking, property or assets or any part thereof, or being a sole proprietorship or partnership shall fail to renew its Certificate of Registration, or being an individual shall have a receiving order or an adjudicating order made against him or if the Sub-lessee shall make any assignment for the benefit of his creditors or enter into an agreement or make any arrangement with his creditors for liquidation of his debts by composition or otherwise or suffer any distress or execution to be levied on his goods property or assets then and in any one of the said cases it shall be lawful for the Sub-lessor at any time thereafter to re-enter upon the Demised Premises or any part thereof in the name of the whole and thereupon the term hereby created shall forthwith and absolutely cease and determine but without prejudice at any time to any right of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained.
- Re-entry of Sub-lessor
- (b) In addition and without prejudice to any other right power or remedy of the Sub-lessor if the rent hereby reserved or any other moneys payable by the Sub-lessee to the Sub-lessor hereunder or any part thereof shall at any time remain unpaid for fourteen (14) days after the same shall have become due (whether any formal or legal demand therefor shall have been made or not) then the Sub-lessee shall pay to the Sub-lessor interest thereon calculated from the date on which such moneys fall due for payment to the date on which such moneys are paid to or recovered in full by the Sub-lessor as the case may be. The Sub-lessor shall be entitled to recover such interest from the lessee as if such interest were rent in arrears. Such interest shall be calculated from day to day:
- Interest on Arrears
- (i) at the rate of twelve per centum (12%) per annum, or
- (ii) at the rate per annum of three per centum (3%) over and above the prime interest rate for the time being prescribed by The Development Bank of Singapore Limited.
- Whichever is the greater.
- (c) In the event of the Demised Premises or any part thereof or the Industrial Park or any part thereof at any time during the term hereby created being so damaged or destroyed by fire act of God or other cause beyond the control of the Sub-lessor as to render the Demised Premises unfit for use or access thereto impossible for a period of more than one (1) month (except where such damage or destruction has been caused by the default or negligence of the Sub-lessee or his servants or agents) the rent hereby covenanted to be paid or a fair proportion thereof according to the nature and extent of the damage sustained shall be suspended until the Demised Premises shall again be rendered fit for occupation and use or until access thereto
- Utenantibility

may be obtained as the case may be, and any dispute concerning This Clause shall be to arbitration in accordance with the Arbitration Act (Cap 10).

- (d) If the unfitness of the Demised Premises or the inaccessibility thereto as aforesaid shall continue for a period of more than three (3) months either the Sub-lessor or the Sub-lessee shall be at liberty by notice in writing to determine the term hereby created and upon such notice being given the term hereby granted shall absolutely cease and determine but without prejudice to any right of action of the Sub-lessor or the Sub-lessee in respect of any antecedent breach of this Sub-lease by the Sub-lessee or the Sub-lessor as the case may be. Holding Over
- (e) Notwithstanding anything herein contained the Sub-lessor shall be under no liability either to the Sub-lessee or to others who may be permitted to enter or use the Industrial Park or any part thereof against all injuries sustained or for loss of or damage to property goods or chattels in the Industrial Park or in any part thereof whether arising from the negligence of the Sub-lessor or that of any servant or agent of the Sub-lessor or otherwise. Sub-Lessor Not Liable
- (f) Notwithstanding anything herein contained the Sub-lessor shall not be liable to the Sub-lessee nor shall the Sub-lessee have any claim against the Sub-lessor in respect of all losses (including but not limited to indirect, consequential and special losses), damages, liabilities, costs, and expenses or any nature whatsoever which the Sub-lessee may suffer arising out of or in connection with or in respect of any of the following situations: No Claim by Sub-lessee
- (i) any interruption in any of the services herein mentioned by reason of necessary repair or maintenance of any installations or apparatus or damage thereto or destruction thereof by fire water riot act of God or other cause beyond the Sub-lessor's control or by reason of mechanical or other defect or breakdown including any failures properly to record, store, process, calculate and present calendar dates falling on, during or after 1 January 2000 and failures properly to calculate any information dependent on or relating to such date in the same manner, and with the same functionality, data integrity and performance, as applies to dates on or before 31 December 1999 or other inclement conditions or unavoidable shortage of manpower fuel materials electricity or water or labour disputes. In addition, the Sub-lessor shall not be liable to the Sub-lessee nor shall the Sub-lessee in respect of or in connection with any damage injury or loss arising out of leakage of the piping wiring rind sprinkler system in the Demised Premises or the Industrial Park and/or out of any defect in the Demised Premises or the Industrial Park;
- (ii) any interruption disruption disturbance loss (whether direct indirect and/or consequential) damage cost expense and/or charges arising from and/or connection with any and all works by the Sub-lessor in respect of improving repairing and/or remedying the Premises; and/or
- (iii) any act omission default misconduct or negligence of any porter attendant or other servant or employee of the Sub-lessor in or about the performance or purported performance of any duty relating to the provision of the said services or any of them.
- (g) Subject to the approval of HDB and such terms and conditions as may be imposed by the HDB, the Sub-lessor shall at the written request of the Sub-lessee made not less than six (6) months before the expiration of the term hereby created and if there shall not at the time of such request be any existing breach, or non-observance of any of the covenants on the part of the Sub-lessee herein contained and at the Sub-lessee's expense grant to the Sub-lessee a further term of the Demised Premises the Sub-lease for which must be signed by the Sub-lessee at a date not less than one (1) month before the expiration of the term hereby created. The renewed term shall be for a period of three (3) years commencing from the date immediately following the Option to Renew

expiration of the term hereby created at a revised rent, and upon the revised terms and conditions as shall be imposed by the Sub-lessor. Provided Always that within two (2) weeks of the receipt of the Sub-lessor's notification of the revised rent, terms and conditions, the Sub-lessee shall in writing inform the Sub-lessor whether the revised rent, terms and conditions are not acceptable or otherwise. In the event that the revised rent, terms and conditions are not acceptable to the Sub-lessee and/or if the Sub-lessee shall fail to sign the Sub-lease for the renewed term by the date stipulated above then this option shall lapse and the Sub-lessor shall be free of all obligations whatsoever to grant to the Sub-lessee any further term.

- (h) The Sub-lessor shall be entitled to close the outer doors of the Industrial Park and keep the same closed and locked after the hour of 12 midnight and before the hour of 6 a.m. on Mondays to Saturdays except on Sundays and gazetted Public Holidays when the Sub-lessor may keep the outer doors closed all day. The Sub-lessee will not without obtaining special permission from the Sub-lessor enter the Demised Premises on Sundays or gazetted Public Holidays or before 6 a.m. or after 12 midnight on Mondays to Saturdays. Outer Doors of Building
- (i) All loading and unloading carried out by the Sub-lessee shall only be effected at such location(s) and at such times as the Sub-lessor may from time to time prescribe. Loading and Unloading
- (j) The Sub-lessor shall in all cases retain and have the power to prescribe the weight and proper position of all iron or steel safes and other heavy equipment articles or goods whatsoever and any or all damage caused to the Industrial Park or any part thereof or to the common areas by The Sub-lessee or anyone on his behalf by taking in or putting out a safe furniture goods or other articles or during the time such are in the Industrial Park shall be made good by the Sub-lessee or by the Sub-lessor at the sole expense of the Sub-lessee. The Sub-lessee, shall pay to the Sub-lessor the amount of such damage made good by the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. Weights and Stresses
- (k) No consent or waiver expressed or implied by the Sub-lessor to or of any breach of any covenant condition or duty of the Sub-lessee shall be construed as a consent or waiver to or of any other breach of the same or any other covenant condition or duty and shall not prejudice in any way the rights powers and remedies of the Sub-lessor herein contained. Any acceptance of rent hereby reserved by the Sub-lessor shall not be deemed to operate as a waiver by the Sub-lessor of any right to proceed against the Sub-lessee; in respect of a breach by the Sub-lessee of any of his obligations hereunder. Waiver of Defaults
- (l) The Sub-lessor shall have the right at any time and from time to time to make add to amend, cancel or suspend any rules and regulations in respect of the Industrial Park as in the judgement of the Sub-lessor may from time to time be required for the management safety care or cleanliness of the Industrial Park or for the preservation of good order therein or for the convenience of Sub-lessee and all such rules and regulations shall bind the Sub-lessee upon and from the date on which notice in writing thereof is given to him by the Sub-lessor. If there shall be any inconsistency between the provisions of this Sub-lease and the provisions of such rules and regulations then the provisions of this Sub-lease shall prevail. Sub-lessor's Right to Make Rules and Regulations
- (m) Any notice or outer documents or writing required to be served service or delivered or given hereunder shall be sufficiently served if left addressed to the Sub-lessee on the Demised Premises or sent to the Sub-lessee by registered post addressed to the Sub-lessee's registered office in Singapore or left at his last known address in Singapore and any notice document or writing to the Sub-lessor shall be sufficiently served if sent by registered post to the Sub-lessor's registered office in Singapore. Service of Notice
- (n) The covenants, provisions, terms and agreements herein cover and comprise the whole of the agreement between the parties hereto or their appointed agents and the parties hereto expressly agree and declare that no further or other covenants, Entire Agreement

agreements, provisions or terms whether written or oral, express or implied by statute common law or otherwise whether in respect of the Building and its appurtenance or in respect of the Demised Premises or otherwise and in particular, that relating to fitness for purpose, suitability and adequacy of the Demised Premises shall be deemed to be implied herein or to arise between the parties hereto by way of collateral or other agreement by reason of any promise, representation warranty or undertaking given or made by either party hereto to the other on or prior to the execution hereof and the existence of any such implication or collateral or other agreement is hereby negatived (save for any terms or modifications hereof or supplement thereto which may be expressly agreed in writing between the parties on or after the date of this Sub-lease).

- (o) In the event that pursuant to HDB's condition for its consent to this Sub-lease of the Demised Premises to the Sub-lessee, HDB gives 3 months' notice in writing to revoke its approval to the Sub-lease herein, the term hereby created shall upon the expiry of HDB's notice absolute cease and determine, without prejudice to any rights of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained, but without the Sub-lessor being liable for any inconvenience, loss, damages, compensation, costs or expenses whatsoever in respect of such termination.

HDB's Notice of Termination

5. (a) The headings and marginal notes appearing in this Sub-lease are inserted only as a matter of convenience and is no way define limit construe or describe the scope or intent of the section or clauses of this Sub-lease nor in any way affect this Sub-lease. The contra proferentum rule shall not apply to this Sub-lease.

Marginal Notes

- (b) In the interpretation of this Sub-lease except to the extent that such interpretation shall be excluded by or be repugnant to the context when used herein:

Interpretation

- (i) "the Sub-lessor" shall include its successors in title assigns employees agents representatives person or company for the time being entitled to the revision immediately expectant on the term hereby created and where the context so admits the Sub-lessor's employees agents and representatives.
- (ii) "person" shall be deemed to include a corporation.
- (iii) "restoration" used in the context hereof shall mean the restoration of the Demised Premises to its original state and condition including:
- (a) the making good of any damage or disfigurement caused to walls doors windows or any part of the Demised Premises;
 - (b) the washing down of the whole of the interior of the Demised Premises;
 - (c) the painting with two coats of oil paint or emulsion paint or other appropriate treatment of all of the internal parts of the Demised Premises previously so treated respectively;
 - (d) the re-polishing of all the internal parts previously polished;
 - (e) the graining and varnishing of all the internal parts previously grained and varnished;
 - (f) the replacing of all floor tiles which in the opinion of the Sub-lessor are worn or damaged and in need of replacement;
 - (g) the removal and clearance of all waste rubbish and other unwanted material from the Demised Premises;
 - (h) the surrender of all keys giving access to all parts of the Demised Premises held by the Sub-lessee or any of the Sub-lessee's employees or

agents irrespective of whether or not the same have been supplied by the Sub-lessor.

- (iv) "the Sub-lessee" shall include if the Sub-lessee is an individual, his personal representative and permitted assigns, or if the Sub-lessee is a company, its permitted assigns and successors in title and in either case where the context so admits the Sub-lessee's employees agents licensees invitees visitors independent contractors and servants.
- (v) "HDB" shall mean the Housing and Development Board.
- (vi) words importing the singular or plural number shall be deemed to include the plural or singular number respectively and words importing the masculine gender only shall include the feminine or neuter gender as the case may require, and
- (vii) where two or more persons are included in the term "the Sub-lessee" all covenants, agreements, terms, conditions and restrictions shall be binding on them jointly and each of them severally and shall also be binding on their personal representatives and permitted assigns respectively jointly and severally.

IN WITNESS WHEREOF the parties hereto have executed this Sub-lease the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO

ALL THAT premises estimated to domain an area of approximately 656.0 square metres on the building known as **750D CHAI CHEE ROAD UNIT 03-06 TECHNOPARK @ CHAI CHEE** erected on the land marked on the Government Resurvey Map as Mukim 27 Lot 6218 comprised in the District of Bedok Singapore as outlined in red on the plans annexed hereto.

THE SECOND SCHEDULE ABOVE REFERRED TO

The rent of the Demised Premises shall be as follows:

Dollars

Twenty-Two (\$22.00) per square metre per month

THE THIRD SCHEDULE ABOVE REFERRED TO

Allowable live

Storey

3rd

load (KN/m²)

12.5

SIGNED SEALED AND DELIVERED by the)
Sub-lessor by its Attorney CHIN CHEF LEOK)
acting under a Power of Attorney dated the 15th)
day of January 1997 (a copy of which was)
deposited in the Registry, Supreme Court,)
Singapore on the 24th day of January 1997)
registered as No. 599 of 1997) in the presence)
of:)

SIGNED SEALED AND DELIVERED by)
(the Sub-lessee) MR LEE KWAI MUN)
In the presence of: MS MAY LEE)

OR

THE COMMON SEAL OF)
ISE LABS SINGAPORE PTE LTD)
(the Sub-lessee))
was hereunto affixed in the presence of:)

- Director
- Director / Secretary

OR

SIGNED SEALED AND DELIVERED by the)
Sub-lessee by its Attorney)
acting under a power of Attorney)
dated the day of 19)
(a copy of which was deposited in the Registry,)
Supreme Court, Singapore on the day)
of 19 and)
registered as No, of 19)
in the presence of:)

Dated this 3rd day of June , 1999

Between

WAN TIEN REALTY (PTE) LTD

AND

ISE LABS. SINGAPORE PTE LTD

SUB – LEASE

in respect of
750D Chai Chee Road #07-03 to 05
Chai Chee Industrial Park

THIS Sub-lease is made the 3rd day of June One thousand nine hundred and ninety-nine (1999) Between WAN TIN REALTY (PTE) LTD, a company incorporated in the Republic of Singapore and having its registered office at 39 Robinson Road #18-01 Robinson Point, Singapore (hereinafter referred to as "the Sub-lessor") of the one part AND ISE LABS, SINGAPORE PTE LTD (Company regn no. 199800834K), a company incorporated in the Republic of Singapore and having its registered office at 16 Raffles Quay #23-01 Hong Leong Building Singapore 048581 (hereinafter referred to as "the Sub-lessee") of the other part.

Parties

WITNESSETH as follows:

1. IN CONSIDERATION of the rents and the Sub-lessee's covenants hereinafter reserved and contained the Sub-lessor hereby demises unto the Sub-lessee ALL THAT premises more particularly described in the First Schedule hereto (hereinafter called "the Demised Premises") being a part of the Industrial Park known as "CHAI CHEE INDUSTRIAL PARK", Chai Chee Road, Singapore (hereinafter called "the Industrial Park") together with (but to the exclusion of all other liberties easements rights or advantages):

Demise

- (a) The right for the Sub-lessee and others duly authorised by the Sub-lessee of ingress and egress to and from the Demised Premises in over and along all the usual entrances landings lifts and passage ways leading thereto in common with the Sub-lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto, such rights being only so far as is necessary and as the Sub-lessor can lawfully grant.
- (b) The right to the free and uninterrupted use of all electric, telephone and other pipes, wires and cables upon through or under adjacent premises in the Industrial Park all such rights to be so far as is necessary for the enjoyment of the Demised Premises and in common with the Sub-lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto.
- (c) The right for the Sub-lessee and all others authorised by the Sub-lessee to the use and benefit of the air-conditioning system installed in the Industrial Park in common with the Sub-lessor and all others so authorised by the Sub-lessor and all other persons entitled thereto.
- (d) The right for the Sub-lessee and others authorised by the Sub-lessee to the use of such sufficient toilet facilities in the Industrial Park as shall be provided by the Sub-lessor but such use shall be in common with the Sub-lessor and all others so authorised by Sub-lessor and all other persons entitled thereto.

EXCEPTING AND RESERVING unto the Sub-lessor the free uninterrupted use of all gas water and other pipes, electric telephone and other wires conduits flues and drains in through or under the Demised Premises TO HOLD the Demised Premises unto the Sub-Lessee for the term of three (3) years from the 16th day of September 1998 (hereinafter called the "Date of Commencement") YIELDING AND PAYING THEREFOR during the term hereby created the rent calculated at the rate specified in the Second Schedule hereto, and the rent shall be paid in advance and clear of all deductions by three monthly payments respectively on the 1st day of January, April, July and October in each year (hereinafter called the "Payment Dates") Provided that on or before the Date of Commencement the Sub-lessee shall pay to the Sub-lessor a pro-rated quarterly payment calculated from the Date of Commencement up to the day immediately before the next Payment Date and thereafter the rent shall be paid on the Payment Dates.

Annual Rent

2. The Sub-lessee hereby covenants with the Sub-lessor as follows:

Sub-lessee's
Covenants

- (a) To pay the said rent on the Payment Dates and in the manner aforesaid.
- (b) To pay to the Sub-lessor on or before the execution of this Sub-lease the sum of Dollars Ninety-Six Thousand Eight Hundred And Ninety-Six and Twenty-Five Cents

Only (\$96,896.25), equivalent to three (3) months' rent to be held by the Sub-lessor as security for the due observance and performance by the Sub-lessee of all and singular the several covenants conditions stipulations and agreements on the part of the Sub-lessee herein contained, which sum shall be maintained at this figure during the term hereby created and shall not be deemed to be or treated as payment of the rent and the same shall be refunded to the Sub-lessee without interest on the expiration of the term hereby created less such sum as may be due to the Sub-lessor.

Provided that in lieu of payment of the said sum of Dollars, the Sub-lessee may obtain and deliver to the Sub-lessor a guarantee in writing or an irrevocable letter of credit issued by a bank acceptable to the Sub-lessor undertaking to pay the said sum on demand by the Sub-lessor which guarantee or irrevocable letter of credit shall be on terms and conditions acceptable to the Sub-Lessor.

- (c) To pay to HDB all sub-letting fees and impositions whatsoever which are now or which at any time hereafter during the term hereby created may be imposed or charged in respect of the sub-letting of the Demised Premises to the Sub-lessee. Sub-letting Fees

- (d) (i) During the term hereby created to pay any increase of property tax or other imposition of a like nature by whatever name called whether by way of an increase in the rate of tax or imposition or an increase in the annual value not being the first increase in the annual value brought about by the erection and construction of the Industrial Park over and above the amount of such property tax or imposition levied or imposed as at the Date of Commencement where such increase is due or attributable to an increase in the rate of property tax payable or an increase in the annual value aforesaid and to pay any new imposition (including surcharge on property tax) by whatever name called which may hereafter be levied or imposed on the Demised Premises. In the event of the Demised Premises not being separately assessed but the Industrial Park being assessed as a whole then for the purpose of ascertaining the additional or other amount payable by the Sub-lessee under this Clause any such increase in property tax or outgoing or any new imposition shall be apportioned and the Sub-lessee shall pay such proportion thereof as the floor area of the Demised Premises bears to the total area of the rentable floor space in the Industrial Park. Property Tax and
Other Taxes

- (ii) It is hereby agreed that the rent and other sums payable by the Sub-lessee under this Sub-lease (hereinafter collectively called "the Agreed Sum") shall, as between the Sub-lessor and the Sub-lessee, be exclusive of any applicable goods and services tax, imposition, duty and levy whatsoever (hereinafter collectively called "Taxes") which may from time to time be imposed or charged before, on or after the commencement of this Sub-lease (including any subsequent revisions thereto) by any government, quasi-government, statutory or tax authority (hereinafter called "the Authorities") on or calculated by reference to the amount of the Agreed Sum (or any part thereof) and the Sub-lessee shall pay all such Taxes, or reimburse the Sub-lessor for the payment of such Taxes, as the case may be, in such manner and within such period as to comply or enable the Sub-lessor to comply with any applicable orders or directives of the Authorities and the relevant laws and regulations.

If the Sub-lessor or the Sub-lessee (or any person on their behalf) is required by law to make any deduction or withholding or to make any payment, on account of such Taxes, from or calculated by reference to the Agreed Sum (or any part thereof):

- (aa) the Sub-lessee shall pay, without requiring any notice from the Sub-lessor all such Taxes for its own account (if the liability to pay is imposed on the Sub-lessee), or on behalf of and in the name of the Sub-lessor (if the

liability to pay is imposed on the Sub-lessor) on receipt of written notice from the Sub-lessor and without prejudice to the foregoing if the law requires the Sub-lessor to collect and to account for such Taxes, the Sub-lessee shall pay such Taxes to the Sub-lessor (which shall be in addition to the Sub-lessee's liability to pay the Agreed Sum) on receipt of written notice from the Sub-lessor; and

- (bb) the sum payable by the Sub-lessee in respect of which the relevant deduction, withholding of payment is required on account such Taxes, shall be increased to the extent necessary to ensure that after the making of the aforesaid deduction, withholding or payment, the Sub-lessor or any person or persons to whom such sum is to be paid, receives on due date and retains (free from any liability in respect of any such deduction, withholding or Taxes) a net sum equal to what would have been received and retained had no such deduction, withholding or payment been required or made.

That rights of the Sub-lessor under this clause shall be in addition and without prejudice to any other rights or powers of the Sub-lessor under any applicable order or directive of the Authorities or any relevant law or regulation, to recover from the Sub-lessee the amount of such Taxes which may be or is to be paid or borne by the Sub-lessor.

The Sub-lessee shall indemnify and hold harmless the Sub-lessor from any losses, damages, claims, demands, proceedings, actions, costs, expenses, interests and penalties suffered or incurred by the Sub-lessor arising from any claim, demand, proceeding or action that may be made or instituted by the Authorities in respect of such Taxes and resulting from any failure or delay on the part of the Sub-lessee in the payment and discharge of any such Taxes.

- (e) Without prejudice to any of the foregoing provisions, the Sub-lessee shall pay and reimburse the Sub-lessor for all goods and services tax which may from time to time be imposed or charged before, on or after the commencement of this Sub-lessor in respect of any supply which may be determined by The Comptroller of Goods and Services Tax under or in connection with the occupation and lease of the Demised Premises and the Sub-lessee shall indemnify and hold harmless the Sub-lessor from any losses, damages, claims, demands, proceedings, actions, costs, expenses, interests and penalties suffered or incurred by the Sub-lessor in respect of any such goods and services tax.
- (f) To pay all rates charges and the like (including taxes) for services supplied and metered separately to the Demised Premises and charged by the Public Utilities Board or other authority(ies) or undertaking and in the event of such services not being supplied and metered separately to the Demised Premises to pay to the Sub-lessor a proportionate part of the cost thereof, such cost to be calculated by the Sub-lessor and notified to the Sub-lessee in writing and such notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof and in the event of the Public Utilities Board or other authority(ies) or undertaking responsible for the supply of services supplied and used in the Industrial Park increasing the charges therefor the Sub-lessee shall pay to the Sub-lessor a proportionate part of such increased costs as calculated by the Sub-lessor and notified to the Sub-lessee in writing which notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof. Subject to the approval of HDB, the Sub-lessor may cause to be installed in the Industrial Park at the expense of the Sub-lessee separate meters to measure the consumption of the said services by the Sub-lessee. Provided Always that nothing herein shall render it obligatory on the part of the Sub-lessor to supply or cause to be supplied such services to the Demised Premises, unless expressly agreed to by the Sub-lessor.

PUB and Other
Charges

- (g) Subject to all approvals being obtained by the Sub-lessee from the HDB and the relevant authorities, to install at the Sub-lessee's own cost and expense all electrical or other appliances including telephones and teleprinters (as the Sub-lessee may require) in such a manner that the wires shall not run across the floor or ceiling or along the walls of the Demised Premises so as to be visible in the Demised Premises but shall be concealed in metal conduits and if running along the floor shall be concealed in the ducts in the underfloor trunking.
- Electrical and Other Appliances
- (h) Without prejudice to Clause 2(a) hereof to give notice forthwith to the Sub-lessor of any damage that may occur to the Demised Premises and of any accident to or defect in the water pipes, gas pipes, electrical wiring air-conditioning ducts or any other fittings and/or fixtures therein.
- Notice of Damage
- (i) Subject to the prior written consent of the Sub-lessor and to all approvals being obtained by the Sub-lessee from the relevant authorities to carry out within the Demised Premises at the Sub-lessee's own cost and expenses all fittings and works which are not provided by the Sub-lessor including all or any of the following as may be necessary:
- Internal Fittings and Works
- (i) partitioning within the Demised Premises;
- (ii) installation of all necessary air-conditioning distribution ducts connecting the same to the main air-conditioning ducts of the Industrial Park;
- (iii) installation of all necessary electrical wiring conduits fittings and fixtures;
- (iv) provision of interior plaster or other materials or rendering on walls floors and ceiling, and
- (v) where water or gas is to be supplied to the Demised Premises, installation water and other pipes apparatus fittings fixtures and all necessary plumbing.
- All debris and waste materials of whatever nature resulting from the aforesaid works shall be disposed by the Sub-lessee in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof.
- (j) To use for carrying out the works referred to in Clause 2(i) above materials of such standards as to type quality and size as the Sub-lessor shall determine and cause such partitions installations and other works to be carried out in the Demised Premises in accordance with plans and specifications that shall have received the prior written approval of the Sub-lessor and the relevant authorities. Such works shall only be effected by a contractor approved by the Sub-lessor and in accordance with approved plans and specifications under the supervision of an architect or engineer approved by the Sub-lessor and the completion thereof shall be subject to approval by the Sub-lessor and the Sub-lessee shall not make any additions, alterations or renovations to the said works except with the prior approval in writing of the Sub-lessor.
- Installations and Partitions
- (k) Not to make or permit to be made any works alterations in or additions to the Demised Premises or any part thereof or the fixtures and fittings therein without having first obtained the written consent of the Sub-lessor and the relevant authorities and in the event of such consent being given to carry out at the Sub-lessee's own cost and expense such alterations or additions with such materials and in such manner and at such time(s) as shall be designated by the Sub-lessor.
- Alterations and Additions
- (l) The fees of any architect engineer or other consultant employed by the Sub-lessor for
- Fees of Architects

the purpose of considering and approving any plans specifications materials and all works carried out by the Sub-lessee and all other costs, charges and expenses incurred by the Sub-lessor in connection therewith shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. No delay in carrying out and completing all or any of the said works (including installations of telephones and teleprinters) in at or about the Demised Premises, whether caused by any governmental and/or statutory authorities or otherwise, shall be a ground for postponing the commencement of the term hereby created or relieve in any way the Sub-lessee from the performance and observance of the covenants conditions and stipulations herein contained and on his part to be performed and observed.

Engineers etc.

- (m) Not to use or permit to be used the Demised Premises other than for the purpose of the testing of semiconductors.

Permitted Use of Demised Premises

The Sub-lessee shall ensure that at all times at least sixty per cent (60%) of the area of the Demised Premises shall be used for pure industrial purposes approved by the Landlord, the HDB and the relevant authorities and, of the remaining forty per cent (40%) of the area of the Demised Premises which may be used as ancillary storage area, office and for communal facilities, not more than twenty-five per cent (25%) of the area of the Demised Premises shall be used as ancillary office, as may be required for any repairs, rectifications, alterations or improvements to the Demised Premises or any part or parts of the Industrial Park, and forthwith to repair amend and make good in proper and workmanlike manner any defects for which the Sub-lessee is liable and of which a written notice shall be given to the Sub-lessor or left on the Demised Premises and to pay the Sub-lessor's cost of survey or otherwise in respect of the preparation of any such notice and if the Sub-lessee shall not within such period of time as required by the Sub-lessor proceed diligently with the execution of such repairs, rectifications or works then the Sub-lessor may enter upon the Demised Premises and execute such repairs rectifications or works and the cost thereof shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. The Sub-lessee shall also permit and/or allow the Sub-lessor their employees servant agents and/or such other person as may be authorised by the Sub-lessor from time to time to enter and remain upon the Premises or any part thereof as may be required by the Sub-lessor for the purposes of the Sub-lessor's works of whatsoever nature to the Premises. The costs of such works shall be borne by the Sub-lessor and neither the Sub-lessor nor the Sub-lessee shall have any claims (whether for direct indirect and/or consequential losses) in connection with the said works unless such works are necessitated by a breach act omission and/or default by the Sub-lessee or if the Sub-lessee is liable for the same.

- (n) At all times to keep the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors, windows, glass, locks, fastening, electric wires and installations and fittings for light and power in a clean and good state of tenantable repair and decorative order and condition (fair wear and tear excepted) and to replace or repair any part of the Demised Premises and the fixtures and fittings therein which shall be broken or damaged and further if any damage is caused to the Sub-lessor or to any person whomsoever directly or indirectly through the said damaged condition of any part of the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors, windows, glass, locks, fastenings, electric wires and installation and fittings for light and power the Sub-lessee shall be wholly responsible therefor and shall fully indemnify the Sub-lessor against all claims demands actions and legal proceedings whatsoever.

Tenantable Repair

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| <p>(o) To keep the Demised Premises and every part thereof clean and in the fullest possible hygienic condition and to keep all pipes, drains, basins, sinks and water closets if any in the Demised Premises clean and unblocked. Any cleaners employed by the Sub-lessee for the purposes hereof shall be at the sole expense and responsibility of the Sub-lessee and shall be subject to the prior written approval of the Sub-lessor. In addition all debris and waste materials of whatever nature shall be disposed of by the Sub-lessee, daily, in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof.</p> | <p>Cleaning of Demised Premises</p> |
| <p>(p) (i) Not to affix, erect, attach, paint or exhibit or permit or suffer so to be upon any part of the exterior of the Demised Premises any placard poster notice advertisement name or sign or television or wireless mast or aerial whatsoever save and except such as shall have been previously approved in writing by the Sub-lessor.</p> <p>(ii) To keep the windows of the Demised Premises closed at all times so as to Maintain an efficient air-conditioning system and not to erect or install thereon or on any glass panel any sign, device, furnishing ornament or object which is visible from outside the Demised Premises and which, in the opinion of the Sub-lessor, is incongruous or unsightly or may detract from the general appearance of the building.</p> | <p>Signs, Unsightly Objects</p> |
| <p>(q) Not to use or permit the Demised Premises to be used for any unlawful or immoral purpose and not to do or permit to be done any act or thing which in the opinion of the Sub-lessor may become a nuisance disturbance or cause or likely to cause damage to the Sub-lessor or its Sub-lessees or other persons occupying or using the Industrial park or any part thereof.</p> | <p>Noise/Nuisance</p> |
| <p>(r) Not to obstruct litter or make untidy any parts of the Industrial Park.</p> | <p>Obstruction and Littering</p> |
| <p>(s) Not to block up, darken or obstruct any of the widows or light belonging to the Demised Premises or to any part of the Industrial Park.</p> | <p>Obstruction of Light</p> |
| <p>(t) Not to place or take into the passenger lifts any baggage, furniture panels, sacks, bags, heavy articles or other goods or merchandise without the prior approval of the Sub-lessor save only such light articles as briefcases, attaché cases and handbags.</p> | <p>Use of Lifts</p> |
| <p>(u) To use the service lift(s) provided for the Industrial Park in a manner prescribed by the Sub-lessor.</p> | <p>Compliance with Statutes Bye-Laws etc.</p> |
| <p>(v) At all times during the term hereby create to comply with promptly and at the Sub-lessee's expense all such requirements as may be imposed on the occupier of the Demised Premises by any statute now or hereafter in force and any by-laws, orders, rules, regulations, requirements and notices thereunder and to indemnify and keep the Sub-lessor fully indemnified against all costs, claims, liabilities, fines or other expenses whatsoever which may fall upon the Sub-lessor by reason of any non-compliance thereof. In addition and without prejudice to the foregoing if the Sub-lessee is a sole proprietorship or partnership the Sub-lessee shall submit to the Sub-lessor evidence of his/their registration with the Registrar of Business Names or any subsequent renewal thereof.</p> | |
| <p>(w) Not to bring or allow to be brought on to the Demised Premises or any part of the Industrial Park used in common with the Sub-lessor and other Sub-lessees any machines or machinery save and except typewriters and such equipment as are required for the business of the Sub-lessee subject to the other provisions herein</p> | <p>Machinery</p> |

contained.

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| <p>(x) Subject to clause 4(j) hereof not to load or permit or suffer to be loaded on any part of the floors of the Demised Premises to a weight greater than as specified in the Third Schedule hereto except otherwise approved in writing by the Sub-lessor and shall when required by the Sub-lessor distribute any load on any part of the floor of the Demised Premises in accordance with the directions and requirements of the Sub-lessor and in the interpretation and application of the provisions of this Clause the decision of the surveyor architect or engineer of the Sub-lessor shall be final and binding on the Sub-lessee.</p> | <p>Excess Load</p> |
| <p>(y) Not without the prior written consent of the Sub-lessor to permit any vendors of food or drink or the servants or agents of such vendors to bring on to the Demised Premises or any part thereof or on to the Industrial Park or any part thereof food or drink for the consumption by the occupiers of the Demised Premises save and except contractors who have been given the right by the Sub-lessor to provide food and drink service for the occupiers of the Industrial Park.</p> | <p>Food and Drink</p> |
| <p>(aa) Not to store in or bring upon any part of the Demised Premises or the Industrial Park any arms ammunition or unlawful goods or any explosive, toxic or combustible substance or any substance of a dangerous nature or to use the Demised Premises or any part thereof for the storage or cooking of food or to permit or suffer anyone to sleep or reside therein or to permit any auction sale to take place therein or thereat.</p> | <p>Prohibited Uses</p> |
| <p>(ab) Not to do or permit or suffer to be done anything whereby the policy or policies of insurance against damage or loss by fire or other risks on the Industrial Park or any part thereof may be rendered void or voidable or whereby the rate of premium thereon may be increased and to make good all damage suffered by the Sub-lessor and to repay to the Sub-lessor all sums paid by way of increased premium and all expenses incurred by the Sub-lessor in or about the renewal of such policy or policies rendered necessary by the breach or non-observance of this covenant without prejudice to any other rights of the Sub-lessor.</p> | <p>Avoidance of Insurance Policy and Additional Premium</p> |
| <p>(ac) Not to assign sublet license or in any way dispose of or part with possession of the Demised Premises or any part thereof or either by way of sub-letting sharing or other means whereby any company person or persons not a party to this Sub-lease obtains the use or possession of the Demised Premises or any part thereof irrespective of whether or not any rental or other consideration is given for such use or possession and in the event of such transfer or sharing this Sub-lease shall at the option of the Sub-lessor forthwith be determined and the Sub-lessee shall forthwith surrender the Demised Premises to the Sub-lessor with vacant possession.</p> | <p>Subletting and Assignment</p> |
| <p>For the purposes hereof any amalgamation and/or reconstruction effected by the Sub-lessee (if a company) shall be deemed an assignment of this Sub-lease.</p> | |
| <p>(ad) That the Sub-lessee shall indemnify and keep indemnified the Sub-lessor in full from and against:</p> <p>(i) all claims demands actions suits proceedings orders damages costs losses and expenses of any nature whatsoever which the Sub-lessor may suffer or incur in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrences in, upon or at the Demised Premises or the use of the Demised Premises or any part thereof by the Sub-lessee;</p> <p>(ii) all loss and damage to the Demised Premises the Industrial Park and to all property therein caused directly or indirectly by the Sub-lessee and in particular but without limiting the generality of the foregoing caused directly or indirectly by the use or misuse, waste or abuse of water gas or electricity or faulty fittings or fixtures of the Sub-lessee.</p> | <p>Indemnity</p> |

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| <p>(ae) To observe and perform and to cause all his employees independent contractors agents invitees and licensees to observe and perform all the rules and regulations made by the Sub-lessor under Clause 4(1) hereof for the proper management of the Industrial Park and notified in writing by the Sub-lessor to the Sub-lessee from time to time.</p> <p>Provided Always that the Sub-lessor shall not be liable to the Sub-lessee in any way for violation of the rules and regulations by any persons including other Sub-lessees of the Industrial Park or the employees independent contractors agents visitors invitees or licensees thereof.</p> | <p>Rules and Regulations</p> |
| <p>(af) Subject to Clause 2(ai) hereof, not to remove at or prior to the expiration or sooner determination of the term hereby created unless required by the Sub-lessor any electrical wiring installation or futures air-conditioning ducts conduits water and other pipes ceilings partitions and flooring installed or fixed by the Sub-lessee in at or about the Demised Premises.</p> | <p>Prohibition Against Removal</p> |
| <p>(ag) Immediately upon the expiration or sooner determination of the term hereby created to yield up to the Sub-lessor the Demised Premises with the fixtures and fittings thereto (including such Sub-lessee's fixtures as are required by the Sub-lessor pursuant to the foregoing) in good clean tidy and tenantable repair and condition (fair wear and tear excepted).</p> | <p>Yielding up of Premises</p> |
| <p>(ah) In addition to the forgoing and immediately prior to the expiration or sooner determination of the term hereby created and as instructed by the Sub-lessor to restore the Demised Premises to its original state and condition to the satisfaction of the Sub-lessor and if the Sub-lessee shall fail to restore the Demised Premises as aforesaid the Sub-lessor may restore the same and recover from the Sub-lessee the costs of such restoration together with all rent and other amounts which the Sub-lessor would have been entitled to receive front the Sub-lessee had the period within which such restoration is effected by the Sub-lessor been added to the term hereby created provided that such period to be added by the Sub-lessor shall not exceed fifteen (15) days.</p> | <p>Restoration</p> |
| <p>(ai) In complying with Clause 2(ah) hereof and if so required by the Sub-lessor, the Sub-lessee shall remove all such internal partitions and/or fixtures and installations of the Sub-lessee or any part thereof as are not required by the Sub-lessor pursuant to Clause 2(af) hereof from all portions of the Demised Premises vacated by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and in default thereof the Sub-lessor may remove and dispose of the same. All damage done to the Demised Premises by such removal shall be made good by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and if the Sub-lessee fails to do so the Sub-lessor may make good all such damage. All costs incurred by the Sub-lessor in such removal or disposal or in making good such damage shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount hereof.</p> | <p>Removal of Internal Fittings and Works</p> |
| <p>(aj) Not to use the Demised Premises for tin-smelting or the production of tin by other processes including electrolysis.</p> | <p>Tin Smelting</p> |
| <p>(ak) Not to utilise the Demised Premises before obtaining clearance on the use of the Demised Premises from the Pollution Control Department,</p> | <p>Approval from Pollution Control Department</p> |
| <p>(al) Not to utilise the Demised Premises before submitting details of trade effluent discharge to the Sewerage Department for consideration.</p> | <p>Approval from Sewerage Department</p> |
| <p>(am) Without prejudice to the generality to Clause 2(w) above, not to use, permit or suffer</p> | <p>Contravention of Immigration Act</p> |

the Demised Premises to be kept or used as a place or premises in which any person is employed in contravention of Section 57 (1)(e) of the Immigration Act (Chapter 133), section 5 of the Employment of Foreign Workers Act (Chapter 91A) and any other laws, statutory modification or re-enactment thereof for the time being in force and to indemnify the Sub-lessor against all costs, claims, liabilities, fines or expenses whatsoever which may fall upon the Sub-lessor by reason of any non-compliance thereof.

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| <p>(an) [One line missing from the original document]..... obtaining any consent from the Sub-lessee, to change the name or number by which the Building is known.</p> | <p>Name of Building</p> |
| <p>3. The Sub-lessor hereby covenants with the Sub-lessee as follows:</p> | <p>Sub-Lessor's Covenants</p> |
| <p>(a) To pay all rates taxes and assessments imposed upon or in respect of the Industrial Park or any part thereof save and except those which the Sub-lessee has covenanted to pay.</p> | <p>Payment of Rates, Taxes etc.</p> |
| <p>(b) That the Sub-lessee duly paying the rent hereby reserved and observing and performing the several covenants and obligations hereinbefore contained shall peaceably hold and enjoy the Demised Premises during the term hereby created without any disturbance by the Sub-lessor or any person lawfully claiming under or in trust for the Sub-lessor unless otherwise provided herein.</p> | <p>Quiet Enjoyment</p> |
| <p>(c) So far as practicable but subject always to Clause 4 hereof to provide:</p> | <p>Air-Conditioning
Electricity and Water</p> |
| <p>(i) Air-conditioning services;</p> | |
| <p>(ii) Electricity for the lighting of the passages corridors toilets and other parts of the Industrial Park used by the Sub-lessee in common with others;</p> | |
| <p>(iii) Water for the common toilets (except those within the Demised Premises) in the Industrial Park.</p> | |
| <p>(d) To keep the roof main drains and pipes all external walls and all common areas of the Industrial Park including the entrances corridors passages stairways landings car-park lifts common toilets clean and in good repair including repainting and redecorating of the same or any part thereof at such times and in such manner as the Sub-lessor in its absolute discretion may consider necessary. Provided Always that the Sub-lessor shall not be liable for any loss or injury sustained by the Sub-lessee through the neglect default negligence or misconduct of the Sub-lessor's cleaning contractors agents servants and/or licensees.</p> | <p>Common Areas</p> |
| <p>(e) To keep the lifts staircases landings and such common parts as aforesaid well and sufficiently cleaned and lighted and to keep the lifts in proper working order and to employ a watchman or watchmen for the protection at night of the Industrial Park (but not so as to render the Sub-lessor liable for any loss sustained by the Sub-lessee through the neglect default negligence or misconduct of such watchman or watchmen).</p> | <p>Lighting and Watchmen</p> |
| <p>(f) At all times throughout the term hereby created to insure and keep insured the Industrial Park (excluding the Sub-lessee's fittings and fixtures) against loss or damage by fire.</p> | <p>Insurance</p> |
| <p>4. PROVIDED ALWAYS and it is hereby agreed and declared as follows:</p> | |
| <p>(a) If the rent hereby reserved or any part thereof shall at any time be unpaid for fourteen (14) days after becoming payable (whether any formal or legal demand therefore shall have been made or not) or if any covenant on the Sub-lessor's part</p> | <p>Re-entry of Sub-lessor</p> |

herein contained shall not be performed or observed or if the Sub-lessee being a company shall be struck off the Register of Companies or shall go into liquidation whether voluntary (except for the purpose of amalgamation or reconstruction) or compulsorily or a receiver shall be appointed of its undertaking, property or assets or any part thereof, or being a sole proprietorship or partnership shall fail to renew its Certificate of Registration, or being an individual shall have a receiving order or an adjudicating order made against him or if the Sub-lessee shall make any assignment for the benefit of his creditors or enter into an agreement or make any arrangement with his creditors for liquidation of his debts by composition or otherwise or suffer any distress or execution to be levied on his goods property or assets then and in any one of the said cases it shall be lawful for the Sub-lessor at any time thereafter to re-enter upon the Demised Premises or any part thereof in the name of the whole and thereupon the term hereby created shall forthwith and absolutely cease and determine but without prejudice at any time to any right of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained.

- (b) In addition and without prejudice to any other right power or remedy of the Sublessor if the rent hereby reserved or any other moneys payable by the Sub-lessee to the Sub-lessor hereunder or any part thereof shall at any time remain unpaid for fourteen (14) days after the same shall have become due (whether any formal or legal demand therefor shall have been made or not) then the Sub-lessee shall pay to the Sub-lessor interest thereon calculated from the date on which such moneys fall due for payment to the date on which such moneys are paid to or recovered in full by the Sub-lessor as the case may be. The Sub-lessor shall be entitled to recover such interest from the Sub-lessor as if such interest were rent in arrears. Such interest shall be calculated from day to day:
- (i) at the rate of twelve per centum (12%) per annum, or
 - (ii) at the rate per annum of three per centum (3%) over and above the prime interest rate for the time being prescribed by The Development Bank of Singapore Limited.

Interest on Arrears

whichever is the greater.

- (c) In the event of the Demised Premises or any part thereof or the Industrial Park or any part thereof at any time during the term hereby created being so damaged or destroyed by fire, act of God or other cause beyond the control of the Sub-lessor as to render the Demised Premises unfit for use or access thereto impossible for a period of more than one (1) month (except where such damage or destruction has been caused by the default or negligence of the Sub-lessee or his servants or agents) the rent hereby covenanted to be paid or a fair proportion thereof according to the nature and extent of the damage, sustained shall be suspended until the Demised Premises shall again be rendered fit for occupation and use or until access thereto may be obtained as the case may be, and any dispute concerning this Clause shall be referred to arbitration in accordance with the Arbitration Act (Cap 10).

Untenantibility

If the unfitness of the Demised Premises or the inaccessibility thereto as aforesaid shall continue for a period of more than three (3) months either the Sub-lessor or the Sub-lessee shall be at liberty by notice in writing to determine the term hereby created and upon such notice being given the term hereby granted shall absolutely cease and determine but without prejudice to any right of action of the Sub-lessor or the Sub-lessee in respect of any antecedent breach of this Sub-lease by the Sub-lessee or the Sub-lessor as the case may be.

Holding Over

- (d) Notwithstanding anything herein contained the Sub-Lessor shall be under no liability either to the Sub-lessee or to others who may be permitted to enter or use the

Sub-lessor Not Liable

Industrial Park or any part thereof against all injuries sustained or for loss of or damage to property goods or chattels in the Industrial Park or in any part thereof whether arising from the negligence of the Sub-lessor or that of any servant or agent of the Sub-lessor or otherwise.

- (e) Notwithstanding anything herein contained the Sub-lessor still not be liable to the Sub-lessee nor shall the Sub-lessor have any claim against the Sub-Lessor in respect of or in connection with:
- (f) (i) any interruption in any of the services herein mentioned by reason of necessary repair or maintenance of any installations or apparatus or damage thereto or destruction thereof by fire, water, riot, act of God or other cause beyond the Sub-lessor's control or by reason of mechanical or other defect or breakdown or other inclement conditions or unavoidable shortage of manpower, fuel, materials, electricity or water or labour disputes. In addition, the Sub-lessor shall not be liable to the Sub-lessee nor shall the Sub-lessee have any claim against the Sub-lessor in respect of or in connection with any damage, injury or loss arising out of leakage of the piping wiring and sprinkler system in the Demised Premises or the Industrial Park and/or out of any defect in the structure of the Demised Premises or the Industrial Park;
- (ii) any interruption, disruption, disturbance, loss (whether direct, indirect and/or consequential) damage, cost, expense and/or charges arising from and/or in connection with any and all works by the Sub-lessor in respect of improving repairing and/or remedying the Premises; and/or
- (iii) any act omission default misconduct or negligence of any porter, attendant or other servant or employee of the Sub-lessor in or about the performance or purported performance of any duty relating to the provision of the said services or any of them;
- (g) Subject to the approval of HDB, the Sub-lessor shall at the written request of the Sub-lessee made not less than six (6) months before the expiration of the term hereby created and if there shall not at the time of such request be any existing breach or non-observance of any of the covenants on the part of the Sub-lessee herein contained and at the Sub-lessee's expense grant to the Sub-lessee a further term of the Demised Premises the Sub-lessee for which must be signed by the Sub-lessee at a date not less than one (1) month before the expiration of the term hereby created. The renewed term shall be for a period of three (3) years commencing from the date immediately following the expiration of the term hereby created at a revised rent and upon revised terms and conditions as shall be imposed by the Sub-lessor. Provided Always that within two (2) weeks of the receipt of the Sub-lessor's notification of the revised rent, terms and conditions, the Sub-lessee shall in writing inform the Sub-Lessor whether the revised rent, terms and conditions are acceptable or otherwise. In the event that the revised rent, terms and conditions are not acceptable to the Sub-lessee and/or if the Sub-lessee shall fail to sign the Sub-lease for the renewed term by the date stipulated above then this option shall lapse and the Sub-lessor shall be free of all obligations whatsoever to grant to the Sub-lessee any further term.
- (h) The Sub-lessor shall be entitled to close the outer doors of the Industrial Park and keep the same closed and locked after the hour of 12 midnight and before the hour of 6 a.m., on Mondays to Saturdays except on Sundays and gazetted Public Holidays when the Sub-lessor may keep the outer doors closed all day. The Sub-lessee will not without obtaining special permission from the Sub-lessee enter the Demised Premises on Sundays or gazetted Public Holidays or before 6 a.m. or after 12 midnight on Mondays to Saturdays.

No Claim by Sub-lessee

Option to renew

Outer Doors of Building

- | | | |
|-----|--|--|
| (i) | All loading and unloading carried out by the Sub-lessee shall only be effected at such location(s) and at such times as the Sub-lessor may from time to time prescribe. | Loading and Unloading |
| (j) | The Sub-lessor shall in all cases retain and have the power to prescribe the weight and proper position of all iron or steel safes and other heavy equipment, articles or goods whatsoever and any or all damage caused to the Industrial Park or any part thereof or to the common areas by the Sub-lessee or anyone on his behalf by taking in or putting out a safe, furniture, goods or other articles or during the time such are in the Industrial Park shall be made good by the Sub-lessee or by the Sub-lessor at the sole expense of the Sub-lessee. The Sub-lessee shall pay to the Sub-lessor the amount of such damage made good by the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. | Weights and Stresses |
| (k) | No consent or waiver expressed or implied by the Sub-lessor to or of any breach of any covenant, condition or duty of the Sub-lessee shall be construed as a consent or waiver to or of any other breach of the same or any other covenant condition or duty and shall not prejudice in any way the rights, powers and remedies of the Sub-lessor herein contained. Any acceptance of rent hereby reserved by the Sub-lessor shall not be deemed to operate as a waiver by the Sub-lessor of any right to proceed against the Sub-lessee in respect of a breach by the Sub-lessee of any of his obligations hereunder. | Waiver of Defaults |
| (l) | The Sub-lessor shall have the right at any time and from time to time to make add to amend cancel or suspend any rules and regulations in respect of the Industrial Park as in the judgement of the Sub-lessor may from time to time be required for the management safety care or cleanliness of the Industrial Park or for the preservation of good order therein or for the convenience of Sub-lessee and all such rules and regulations shall bind the Sub-lessee upon and from the date on which notice in writing thereof is given to him by the Sub-lessor. If there shall be any inconsistency between the provisions of this Sub-lease and the provisions of such rules and regulations then the provisions of this Sub-lease shall prevail. | Sub-lessor's Right to Make Rules and Regulations |
| (m) | Any notice or other documents or writing required to be served delivered or given hereunder shall be sufficiently served if left addressed to the Sub-lessee on the Demised Premises or sent to the Sub-lessee by registered post addressed to the Sub-lessee's registered office in Singapore or left at his last known address in Singapore and any notice document or writing to the Sub-lessor shall be sufficiently served if sent by registered post to the Sub-lessor's registered office in Singapore. | Service of Notice |
| (n) | The covenants, provisions, terms and agreements herein cover and comprise the whole of the agreement between the parties hereto or their appointed agents and the parties hereto expressly agree and declare that no further or other covenants, agreements, provisions or terms whether in respect of the Demised Premises or otherwise shall be deemed to be implied herein or to arise between the parties hereto by way of collateral or other agreement by reason of any promise, representation, warranty or undertaking given or made by either party hereto to the other on or prior to the execution hereof and the existence of any such implication or collateral or other agreement is hereby negated save for any terms or modifications thereof or supplement thereto which may be expressly agreed in writing between the parties on or after the date of this Sub-lease. | Entire Agreement |
| (o) | In the event that pursuant to HDB's condition for its consent to this Sub-lease of the Demised Premises to the Sub-lessee, HDB gives 3 months' notice in writing requiring this Sub-Lease and the term hereby created to be terminated, the term hereby created shall upon the expiry of HDB's notice absolute cease and determine, without prejudice to any rights of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained, but without the Sub-lessor being liable for any inconvenience, loss, damages, compensation, | HDB's Notice of Termination |

costs or expenses whatsoever in respect of such termination.

- (p) (a) In the event of the Sub-lessee failing to sign the new Agreement as aforesaid the Sub-lessor shall be entitled to exhibit outside the Demised Premises or on the doors thereof a notice stating that the Demised Premises are to be vacant and for letting and the Sub-lessee shall permit all prospective sub-lessees of the Demised Premises accompanied by a representative of the Sub-lessor free ingress to and egress from the Demised Premises for the purpose of viewing the Demised Premises.

Notice of Vacancy

- (b) In the interpretation of this Sublease except to the extent that such interpretation shall be excluded by or be repugnant to the context when used herein:

Interpretation

- (i) "the Sub-lessor" shall include its successors in title assigns, employees, agents, representatives, person or company for the time being entitled to the reversion immediately expectant on the term hereby created and where the context so admits the Sub-lessor's employees, agents and representatives.

- (ii) "person" shall be deemed to include a corporation.

- (iii) "restoration" used in the context hereof shall mean the restoration of the Demised Premises to its original state and condition including:

- (a) the making good of any damage or disfigurement caused to walls, doors, windows or any part of the Demised Premises;
- (b) the washing down of the whole of the interior of the Demised Premises;
- (c) the painting with two coats of oil paint or emulsion paint or other appropriate treatment of all of the internal parts of the Demised Premises previously so treated respectively;
- (d) the re-polishing of all the internal parts previously polished;
- (e) the graining and varnishing of all the internal parts previously grained and varnished;
- (f) the replacing of all floor tiles which in the opinion of the Sub-lessor are worn or damaged and in need of replacement;
- (g) the removal and clearance of all waste rubbish and other unwanted material from the Demised Premises;
- (h) the surrender of all keys giving access to all parts of the Demised Premises held by the Sub-lessee or any of the Sub-lessee's employees or agents irrespective of whether or not the same have been supplied by the Sub-lessor.

- (iv) "the Sub-lessee" shall include if the Sub-lessee is an individual, his personal representative and permitted assigns, or if the Sub-lessee is a company, its permitted assigns and successors in title and in either case where the context so admits the Sub-lessee's employees agents licensees invitees, visitors independent contractors and servants.

- (v) "HDB" shall mean the Housing and Development Board.

- (vi) words importing the singular or plural number shall be deemed to include the plural or singular number respectively and words importing the masculine gender only shall include the feminine or neuter gender as the case may require, and
- (vii) where two or more persons are included in the term “the Sub-lessee” all covenants, agreements, terms, conditions and restrictions shall be binding on them jointly and each of them severally and shall also be binding on their personal representatives and permitted assigns respectively jointly and severally.

IN WITNESS WHEREOF the parties hereto have executed this Sub-lease the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO

ALL THAT premises estimated to contain an area of approximately 1,305.0 share meters on the building known as 750D Chai Chee Road #07-03 to 05 Chai Chee Industrial Park Singapore 469001 erected on the land marked on the Government Resurvey Map as Mukim 27 Lot 6218 comprised in the District of Bedok Singapore as outlined in red on the plan annexed hereto.

THE SECOND SCHEDULE ABOVE REFERRED TO

The rent of the Demised Premises shall be as follows: Dollars \$24.75 per square metre per month.

THE THIRD SCHEDULE ABOVE REFERRED TO

<u>Storey</u>	<u>Allowable live load (KN/m²)</u>
7 th	7.5KN

SIGNED SEALED AND DELIVERED by the)
Sub-lessor or its Attorney CHIN CHEE LEOK)
acting under the Power of Attorney)
dated the 15th day of January 1997)
(a copy of which was deposited in the Registry,)
Supreme Court, Singapore on the 24th day of)
January 1997 registered as No. 599 of 1997)
in the presence of:)

SIGNED by)
)
)
(the Sub-lessee) MR. LEE KWAI MUN)
in the presence of MS. MAY LEE)

OR

THE COMMON SEAL of)
ISE LABS, SINGAPORE PTE LTD)
(the Sub-lessee))
was hereunto affixed in the presence of:)

- Director

- Director/Secretary

OR

SIGNED SEALED AND DELIVERED by the)
Sub-lessee by its Attorney)
)
acting under a Power of Attorney)
dated the day of 19)
(a copy of which was deposited in the Registry,)
Supreme Court, Singapore on the)
day of 19 and registered as)
No. of 19)
in the presence of:)

**SUBLEASE AGREEMENT
(BUILDING #2 - RENCO 43)**

This Sublease Agreement to Building #2 - Renco 43 (the "**Sublease**") is made effective as of the ____ day of June, 2000, (the "**Effective Date**") by and between Cirrus Logic, Inc., a California corporation ("**Sublandlord**") and ISE Labs, Inc., a California corporation ("**Subtenant**"). By this Sublease, Sublandlord agrees to sublease to Subtenant, and Subtenant agrees to sublease from Sublandlord, those certain premises situated in the City of Fremont, County of Alameda, State of California, consisting of approximately forty-four thousand nine hundred forty-one (44,941) square feet of space (the "**Subleased Premises**") in that Building known as 46702 Bayside Parkway, Fremont, California (sometimes referred to as Renco 43 or Building #2) (the "**Building**"), more particularly described in Exhibit "A", which is attached hereto and incorporated by reference herein.

RECITALS

A. As of the Effective Date, Sublandlord is subleasing approximately fifteen thousand nine hundred seventy-five square feet (15,975) of the Subleased Premises ("**Subleased Space One**") to Basis Communication Corporation, pursuant to the terms of that certain Sublease, dated as of December 30, 1998.

B. As of the Effective Date, Sublandlord is permitting another subtenant to occupy approximately nine thousand four hundred thirty-six square feet (9,436) of the Subleased Premises ("**Subleased Space Two**").

C. Subtenant acknowledges the above tenancies and agrees to take possession of all of the Subleased Premises or such portions of the Subleased Premises as they become available.

NOW THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

AGREEMENT

ARTICLE 1

SECTION 1.01. *Applicable Provisions.* Except as specifically set forth herein, this Sublease is subject and subordinate to all of the terms and conditions of that certain Industrial Space Lease (the "**Original Lease**") dated December 29, 1989, in effect by and between Cirrus Investments L.L.P., successor in interest to Renco Investment Company ("**Master Landlord**") and Sublandlord, as Tenant, as amended by that certain Addendum to Lease of equal date therewith (the "**Addendum**"), and as further amended by that certain First Amendment to Lease, dated October 11, 1990, (the "**First Amendment**"), by that certain Second Amendment to Lease, dated for reference purposes May 15, 1992, (the "**Second Amendment**"), by that certain Third Amendment to Lease, dated for reference purposes, January 6, 1993, (the "**Third Amendment**") and by that certain Fourth Amendment to Lease, dated for reference purposes only May 4, 1994 (the "**Fourth Amendment**"). The Original Lease, the Addendum, the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment are sometimes collectively referred to herein as the "**Master Lease**". A copy of the Master Lease is attached hereto as Exhibit "A" and incorporated herein by reference. Subtenant hereby assumes and agrees to perform the obligations of Tenant under the Master Lease as more particularly set forth hereafter. Unless otherwise defined, all capitalized terms used herein shall have the same meanings as given them in the Master Lease. Neither Sublandlord nor Subtenant shall commit or permit to be committed any act or omission which would violate any term or condition of the Master Lease. Subtenant shall neither do nor permit anything to be done which would cause the Master Lease to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in Master Landlord under the Master Lease, and Subtenant shall indemnify and hold Sublandlord harmless from and against all liability, judgments, costs, demands, claims, and damages of any kind whatsoever (including, without limitation, attorneys' fees and court costs) by reason of any failure on the part of

Subtenant to perform any of the obligations of Tenant under the Master Lease which Subtenant has become obligated hereunder to perform. In the event of the termination of Sublandlord's interest as Tenant under the Master Lease for any reason other than for Sublandlord's breach, then this Sublease shall terminate automatically upon such termination without any liability of Master Landlord or Sublandlord to Subtenant. Subtenant represents and warrants to Sublandlord that it has read and is familiar with the Master Lease.

SECTION 1.02. *Applicable Provisions.* All of the terms and conditions contained in the Master Lease as they may apply to the Subleased Premises, except those directly contradicted by the terms and conditions contained in this document, and specifically, except for Sections 1.1 A-K, N, and S, 2.3, 2.4, 3.1, 3.6, 3.7, 13.2, and 14.2 of the Original Lease and Sections 1.1 G, 3.7, 7.2 A and B, and 7.5 A and B of the Addendum attached to the Original Lease, all of the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment, are incorporated herein and shall be terms and conditions of this Sublease with each reference therein to "Landlord" or "Lessor", "Tenant" or "Lessee", "Premises" and "Lease" to be deemed to refer to Sublandlord, Subtenant, Subleased Premises, and Sublease, respectively, as appropriate, except the following provisions that are incorporated herein, the reference to Landlord shall mean Master Landlord only, Paragraphs 8, 9.2, 13.12 (b) and 16 of the Addendum, along with all of the following terms and conditions set forth in this document, shall constitute the complete terms and conditions of this Sublease.

SECTION 1.03. *Obligations of Sublandlord.* Notwithstanding anything herein contained, the only services or rights to which Subtenant is entitled hereunder are those to which Sublandlord is entitled under the Master Lease, and for all such services and rights Subtenant shall look solely to the Master Landlord under the Master Lease, and the obligations of Sublandlord hereunder shall be limited to using its reasonable good faith efforts to obtain the performance by Master Landlord of its obligations. Sublandlord shall have no liability to Subtenant or any other person for damage of any nature whatsoever as a result of the failure of Master Landlord to perform said obligations except for Master Landlord's termination of the Sublandlord's interest as Tenant under the Master Lease in the event of Sublandlord's breach of the Master Lease, and Subtenant shall indemnify and hold Sublandlord harmless from any and all claims and liability whatsoever for any such damage including, without limitation, all costs and attorneys' fees incurred in defending against same.

ARTICLE 2

TERM

SECTION 2.01. *Term.* The term of this Sublease shall commence on the earlier of (i) the date the Subtenant takes possession of all or portions the Subleased Premises in accordance with this Sublease to operate its business; or (ii) October 1, 2000. This date shall be referred to as the "**Commencement Date**." The term of this Sublease shall end on December 22, 2007, unless sooner terminated pursuant to any provision of this Sublease or the Master Lease as applicable to the Subleased Premises (the "**Expiration Date**"). Notwithstanding the foregoing, Sublandlord shall have no obligation to Subtenant to exercise any of its options to extend under the Master Lease.

SECTION 2.02. *No Option to Extend.* Subtenant shall have no option to extend this Sublease.

SECTION 2.03. *Sublandlord's Inability to Deliver Subleased Premises.* In the event Sublandlord is unable to deliver possession of all or any portion of the Subleased Premises on or before the Commencement Date, Sublandlord shall not be liable for any damage caused thereby, nor shall this Sublease be void or voidable, but Subtenant shall not be liable for Rent for such portion of the Subleased Premises not delivered until such time that Sublandlord delivers possession of such portion of the Subleased Premises in the condition required under the terms of this Sublease, and the term hereof shall not be extended by such delay. If either subtenant fails to vacate and surrender possession of either Subleased Space One or Subleased Space Two by the Commencement Date, Sublandlord shall use its best efforts to terminate such tenancy and to remove such subtenant from the Subleased Premises.

SECTION 2.04. *Early Possession.* If Subtenant occupies any portion of the Subleased Premises prior to the Commencement Date, such occupancy shall be subject to all of the terms and conditions of this Sublease, such occupancy shall not change the Expiration Date, and Subtenant shall pay its proportionate share of Rent for such occupancy, as reasonably determined by Sublandlord.

SECTION 2.05. *Early Access.* After the execution of this Sublease, and prior to the Commencement Date, Sublandlord shall allow Subtenant and its employees, agents and contractors reasonable access to the Subleased Premises, subject to Sublandlord's reasonable consent, for space planning and preparation of the Subleased Premises, at

reasonable dates and times mutually agreed upon between Sublandlord and Subtenant. With regards to this Section 2.5 only, while on the Subleased Premises, Subtenant and its agents, employees and contractors, shall be subject to all the terms and conditions of this Sublease, except for the payment of Rent.

ARTICLE 3

RENT

SECTION 3.01. *Rent.* Subtenant shall pay base rent to Sublandlord in advance each month during the term of this Sublease according to the Base Rent Schedule set forth below (the “**Base Rent**”). Base rent for the first month of the term of this Sublease shall be paid in advance on the date of execution hereof by Subtenant. Thereafter, during the term of this Sublease, Base Rent shall be paid in advance on the first day of each calendar month. Base Rent for any partial month at the commencement or termination of this Sublease shall be prorated on the basis of the actual number of days in such month.

<u>Base Rent Schedule</u>	
<u>Period</u>	<u>Base Rent Per Month</u>
Commencement Date through 12 th month	\$60,670.35
13 th month through 24 th month	\$62,490.46
25 th month through 36 th month	\$64,365.18
37 th month through 48 th month	\$66,296.13
49 th month through 60 th month	\$68,285.01
61 st month through Expiration Date	\$70,333.56

SECTION 3.02. *Additional Rent.* Any rent or other sums payable by Subtenant under this Sublease shall constitute and be due as additional rent (the “**Additional Rent**”). To the extent Sublandlord is charged for additional rent, or other sums pursuant to any of the provisions of the Master Lease, including without limitation, the cost of utilities and services, Property Operating Expenses, any insurance premiums or deductibles under the Master Lease, or any repair or maintenance costs paid by Sublandlord under the terms of the Master Lease, Subtenant shall pay to Sublandlord its pro rata share (defined herein) of such costs and be liable for all such additional rent or sums as Additional Rents under this Sublease. If Subtenant shall procure any additional services from Master Landlord, Subtenant shall make such payment to Sublandlord or Master Landlord, as Sublandlord shall direct.

SECTION 3.03. *Payment of Rent.* Base Rent and Additional Rent shall sometimes collectively be referred to herein as “**Rent**”. All Rent shall be paid in lawful money of the United States of America, without deduction of offset, to the Sublandlord at: Cirrus Logic, Inc., P.O. Box 200301, Dallas, Texas 75320-0301, Acct #4801 897521, or at any other place Sublandlord may from time to time designate by written notice mailed or delivered to Subtenant.

SECTION 3.04. *Subtenant’s Pro Rata Share.* At any given time during the term of this Sublease, Subtenant’s pro rata share under this Sublease shall be determined by multiplying the total additional rent or other charge due by a fraction, the numerator of which is the total number of square feet of the Subleased Premises in the possession of the Subtenant at the time of such determination, and the denominator of which is 44,941 (“**Pro Rata Share**”). In connection with the foregoing, upon Sublandlord delivering to Subtenant possession of the entire Subleased Premises in the condition required under the terms of this Sublease, Subtenant’s Pro Rata Share shall equal one hundred percent (100%). If Sublandlord delivers possession of a portion of the Subleased Premises to Subtenant on a day other than the first day of a given calendar month, Subtenant’s Pro Rata Share shall be prorated based on the number of calendar days in such calendar month.

SECTION 3.05. *Abatement of Rent.* Notwithstanding Section 3.1 of this Sublease, Base Rent for the period commencing on the Commencement Date and continuing until the day before the date on which Sublandlord delivers possession of Subleased Space One in the condition required under the terms of this Sublease, shall be abate by eight hundred twenty-four dollars and eighty-five cents (\$824.85) per day for each day until Sublandlord delivers possession of the Subleased Space One to Subtenant, and Base Rent for the period commencing on the Commencement Date and continuing until the day before the date on which Sublandlord delivers possession of Subleased Space Two in the condition required under the terms of this Sublease shall abate by four hundred eighty-seven dollars and ninety-four cents (\$487.94) per day for each day until Sublandlord delivers possession of the Subleased Space Two to Subtenant.

ARTICLE 4

SECURITY DEPOSIT

SECTION 4.01. *Security Deposit.* Upon execution hereof, Subtenant shall deposit with Sublandlord, in cash, the sum of seventy thousand three hundred thirty-four dollars and no cents (\$70,334.00) as and for a Security Deposit to secure Subtenant's full and timely performance of all of its obligations hereunder. If Subtenant defaults after notice and the expiration of any cure period, with respect to any provision of this Sublease, Sublandlord may (but shall not be obligated to) use, apply, or retain all or any portion of said deposit for payment of any sum for which Subtenant is obligated or which will compensate Sublandlord for any loss or damage which Sublandlord may suffer thereby. Any such use, application, or retention shall not constitute a waiver by Sublandlord of its right to enforce its other remedies hereunder, at law, or in equity. If any portion of said deposit is so used, applied, or retained, Subtenant shall, within ten (10) days after delivery of written demand from Sublandlord, restore said deposit to its original amount. Subtenant's failure to do so shall constitute a material breach of this Sublease, and in such event Sublandlord may elect, among or in addition to other remedies, to terminate this Sublease. Sublandlord shall not be a trustee of such deposit, and shall not be required to keep this deposit separate from its accounts. Sublandlord alone shall be entitled to any interest or earnings thereon and Sublandlord shall have the free use of same. If Subtenant fully and faithfully performs all of its obligations hereunder, then so much of the deposit as remains shall be returned to Subtenant (without payment of interest or earnings thereon) within thirty (30) days after the later of (i) expiration or sooner termination of the term of this Sublease; or (ii) Subtenant's surrender of possession of the Subleased Premises to Sublandlord.

ARTICLE 5

THE SUBLEASED PREMISES

SECTION 5.01. *Condition of the Subleased Premises.* Subject to Paragraph 5.2 below, Subtenant acknowledges that as of the Commencement Date, Subtenant shall have inspected the Subleased Premises, and every part thereof, and by taking possession shall have acknowledged that the Subleased Premises are in good condition, broom clean, and without need of repair, and Subtenant accepts the Subleased Premises "AS-IS", Subtenant having made all investigations and tests it has deemed necessary or desirable, or having been given the opportunity to make such investigations and tests, but declining to do so, in order to establish to its own complete satisfaction the condition of the Subleased Premises. Subtenant accepts the Subleased Premises in their condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances, and regulations governing and regulating the use of the Subleased Premises and any covenants or restrictions of record. Subtenant acknowledges that neither Sublandlord nor Master Landlord have made any representations or warranties as to the condition of the Subleased Premises or its present or future suitability for Subtenant's purposes except as set forth in Paragraph 5.2 hereafter. Sublandlord shall deliver possession of the Subleased Premises in broom clean condition.

SECTION 5.02. *Sublandlord Representation of Condition.* Sublandlord warrants that at the Commencement Date the existing plumbing, electrical, and HVAC system shall be in operating condition and repair and that the roof with roof membrane will be in water-tight condition. If a non-compliance with said warranty exists at the time of the Commencement Date, Sublandlord shall, except as otherwise provided in this Sublease, promptly, after receipt of written notice from Subtenant setting forth with specificity the nature and extent of such non-compliance, rectify same at Sublandlord's expense. If Subtenant does not give Sublandlord written notice of a non-compliance with this warranty within thirty (30) days after the later of the Commencement Date or the date Sublandlord delivers possession to Subtenant of the entire Subleased Premises, correction of such non-compliance shall be the obligation of Subtenant at Subtenant's sole cost and expenses thereafter to the extent that it is an obligation of Subtenant under this Sublease, or if its an obligation of Sublandlord, shall be part of the additional rent under the Sublease as set forth in Paragraph 3.2.2 above.

SECTION 5.03. *Surrender.* Subtenant shall keep the Subleased Premises, and every part thereof in good order and repair. In addition to Subtenant's requirements under the Master Lease, upon the termination of this Sublease, Subtenant shall vacate and surrender the Subleased Premises to Sublandlord in substantially the same condition as received, broom clean, ordinary wear and tear excepted. During the term of this Sublease, Subtenant shall perform all necessary maintenance, repair and cleaning to maintain the Subleased Premises in the condition it was delivered at the Commencement Date.

ARTICLE 6

INSURANCE

SECTION 6.01. *Subtenant's Insurance.* With respect to the Tenant's insurance under the Master Lease, the same levels are to be provided by Subtenant as described in the Master Lease, and such policies of insurance shall include as named insureds Master Landlord, Sublandlord and any lender as required by Master Landlord or Sublandlord.

SECTION 6.02. *Waiver of Subrogation.* With respect to the waiver of subrogation contained in the Master Lease, such waiver as incorporated within this Sublease shall be deemed to include Master Landlord, Sublandlord and Subtenant.

ARTICLE 7

USE OF SUBLEASED PREMISES; PARKING; IMPROVEMENTS

SECTION 7.01. *Use of Subleased Premises.* Subtenant shall use the Subleased Premises for general office, sales, administration, research and development, and testing, and any related lawful purpose permitted under the Master Lease.

SECTION 7.02. *Alterations; Improvements.* Subtenant shall not make any alterations, improvements, or modifications to the Subleased Premises without the express prior written consent of Sublandlord and of Master Landlord, which consent by Sublandlord shall not be unreasonably withheld. Subtenant shall reimburse Master Landlord and Sublandlord for all commercially reasonable costs which Master Landlord and Sublandlord may incur in connection with granting approval to Subtenant for any such alteration and additions. Subtenant shall provide Master Landlord and Sublandlord with a set of "as-built" drawings for any such work, together with copies of all permits obtained by Subtenant in connection with performing any such work, within thirty (30) days after completing such work. On termination of this Sublease, Subtenant shall remove any or all of such improvements made by Subtenant or its agents, assigns or sub-subtenants, and to restore the Subleased Premises (or any part thereof) to the same condition as of the Commencement Date of this Sublease, broom clean, reasonable wear and tear excepted, or as otherwise instructed in writing by either Sublandlord or Master Landlord. Should Subtenant fail to remove such improvements and restore the Subleased Premises as of the termination of this Sublease, unless instructed otherwise in writing as set forth above, Sublandlord shall have the right to do so, and charge Subtenant therefore, plus a service fee of 15% of the costs incurred by Sublandlord. Sublandlord consents to the construction of a test lab on the Subleased Premises, so long as such construction complies with all of the terms and conditions of this Paragraph 7.2.

SECTION 7.03. *Parking.* So long as Subtenant is not in default and subject to the rules and regulations imposed from time to time by Master Landlord or Sublandlord, Subtenant shall have same rights as to parking as Tenant under the terms of the Master Lease.

ARTICLE 8

ASSIGNMENT, SUBLETTING & ENCUMBRANCE

SECTION 8.01. *Consent Required.* Except for a Permitted Transfer, as defined below, Subtenant shall not assign this Sublease or any interest therein nor shall Subtenant sublet, license, encumber or permit the Subleased Premises or any part thereof to be used or occupied by others, without Sublandlord's and Master Landlord's prior written consent, which consent shall not be unreasonably withheld. The consent by Sublandlord and Master Landlord to any assignment or subletting shall not waive the need for Subtenant (and Subtenant's assignee or subtenant) to obtain the consent of Sublandlord and Master Landlord to any different or further assignment or subletting. Except as otherwise provided for in Section 1.2 above, all terms and conditions set forth in the Master Lease regarding assignments and subletting shall apply, and to the extent there is any Bonus Rents, (Rent paid by such assignee or subtenant in excess of Rent paid by Subtenant hereunder) the Bonus Rent shall first be split per the Master Lease and any Bonus Rent to go to Subtenant shall be split 50/50 with Sublandlord to be paid to Sublandlord within five (5) days of receipt by Subtenant, minus Subtenant's reasonable costs of such sublease or assignment for broker's fees and attorneys' fees. Notwithstanding the foregoing, except for any Bonus Rent that Sublandlord is required to pay to Master Landlord under the terms of the Master Lease, Subtenant shall not be required to pay any Bonus Rent to Sublandlord arising out of an assignment or sublease to a Permitted Transfer.

SECTION 8.02. *Form of Document.* Every assignment, agreement, or sublease shall recite that it is and shall be subject and subordinate to the provisions of this Sublease, that the assignee or Subtenant assumes Subtenant's obligation hereunder, but only to the extent applicable to the Premises, and that the termination of this Sublease shall, at Sublandlord's sole election, constitute a termination of every such assignment or sublease.

SECTION 8.03. *No Release of Subtenant.* Regardless of Sublandlord's consent, no subletting or assignment shall release Subtenant of Subtenant's obligation or alter the primary liability of Subtenant to pay the Rent and to perform all other obligations to be performed by Subtenant hereunder. The acceptance of Rent by Sublandlord from any other person shall not be deemed to be a waiver by Sublandlord of any provision hereof. In the event of default by any assignee, subtenant or any other successor of Subtenant, in the performance of any of the terms hereof, Sublandlord may proceed directly against Subtenant without the necessity of exhausting remedies against such assignee, subtenant or successor.

SECTION 8.04. *Default.* An involuntary assignment shall constitute a default and Sublandlord shall have the right to elect to terminate this Sublease, in which case this Sublease shall not be treated as an asset of Subtenant.

SECTION 8.05. *Permitted Transfer.*

8.5.1 Notwithstanding anything contained in this Sublease or the Master Lease, Subtenant may enter into any of the following transfers (a "**Permitted Transfer**") without Landlord's prior written consent: (1) Subtenant may sublease all or part of the Subleased Premises or assign its interest in the Sublease to any corporation or other entity which controls, is controlled by, or is under common control with the Subtenant; (2) Subtenant may assign its interest in the Sublease to a corporation or other entity which results from a merger, consolidation or other reorganization in which Subtenant is not the surviving corporation; (3) Subtenant may assign the Sublease to a corporation or other entity which purchases or otherwise acquires all or substantially all of the assets of Subtenant at the Subleased Premises; (4) Subtenant may reincorporate in another jurisdiction or reconstitute and convert to a different form, such as converting from a corporation to a limited liability company; and (5) Subtenant may sell its shares for the initial issuance or transfer of shares in Subtenant in connection with its public offering on a national stock exchange or a regularly traded over-the-counter market and quoted on NASDAQ or shares that may be traded publicly subsequent thereto, provided: (a) Subtenant is not in default under this Sublease beyond applicable cure periods; (b) if such proposed transferee is a successor to Subtenant by purchase, merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Subtenant and shall have a net worth which is at least equal to Subtenant's net worth at the date of the Permitted Transfer; (c) such proposed transferee operates the business in the Subleased Premises for the use described in this Sublease and no other purpose; and (d) in no event shall any Permitted Transfer release or relieve Subtenant from any of its obligations under this Sublease. Subtenant shall give Master Landlord written notice of any such Permitted Transfer.

ARTICLE 9

DEFAULT

SECTION 9.01. *Default Described.* The occurrence of any of the following shall constitute a material breach of this Sublease and a default by Subtenant: (i) failure to pay Rent or any other amount within three (3) days after due; (ii) all those items of default set forth in the Master Lease which remain uncured after the cure period provided in the Master Lease, other than the obligation of Sublandlord to pay Base Monthly Rent under the terms of the Master Lease; or (iii) Subtenant's failure to perform timely, subject to any cure periods any other material provision of this Sublease or the Master Lease, as incorporated herein.

SECTION 9.02. *Sublandlord's Remedies.* Sublandlord shall have the remedies set forth in the Master Lease as if Sublandlord is Master Landlord. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

SECTION 9.03. *Notice of Event of Default under Master Lease.* Sublandlord shall notify Subtenant of any Event of Default under the Master Lease, or of any other event of which Sublandlord has actual knowledge which will impair Subtenant's ability to conduct its normal business at the Subleased Premises, as soon as reasonably practicable, following Sublandlord's receipt of notice from Master Landlord of an Event of Default or Sublandlord's actual knowledge of such impairment.

SECTION 9.04. *Cross Defaults.* Sublandlord and Subtenant have entered into this Sublease and subleases for the following properties: 3098 West Warren Avenue, Building 44 (“**Building 44 Sublease**”), 46703 Lakeview Drive, Building 45 (“**Building 45 Sublease**”), and 46800 Bayside Parkway, Building 59 (“**Building 59 Sublease**”), all in the City of Fremont, Alameda County, State of California. This Sublease, the Building 44 Sublease, the Building 45 Sublease and the Building 59 Sublease are collectively referred to herein as the ISE Subleases. A default by Subtenant under the terms and obligations of any of the ISE Subleases shall be considered to be a default under all of the ISE Subleases. In the event of a default by Subtenant under any of the ISE Subleases, Sublandlord may pursue the remedies permitted by law or pursuant to the terms of any, either or all of the ISE Subleases, as if Subtenant had defaulted under any one or all of the ISE Subleases. If Subtenant and Sublandlord enter into any other sublease(s) at the Project, the immediately preceding cross default provisions shall apply to all such sublease(s).

ARTICLE 10

CONSENT OF MASTER LANDLORD

SECTION 10.01. *Precondition.* The Master Lease requires that Sublandlord obtain the consent of Master Landlord to any subletting by Sublandlord. If Master Landlord shall not have consented to this Sublease in a form reasonably acceptable to Sublandlord within thirty (30) days after the Commencement Date, Sublandlord may terminate this Sublease by providing written notice thereof to Subtenant. This Sublease shall not be effective unless and until Master Landlord signs a consent to this subletting satisfactory to Sublandlord and Subtenant. In compliance with the terms of Paragraph 7.3 of the Master Lease, Sublandlord shall use its best efforts to obtain Master Landlord’s consent to this Sublease. If Sublandlord is unable to obtain Master Landlord’s consent within thirty (30) days of the Effective Date, this Sublease shall terminate.

ARTICLE 11

MISCELLANEOUS

SECTION 11.01. *Conflict with Master Lease; Interpretation.* In the event of any conflict between the provisions of the Master Lease and this Sublease, the Master Lease shall govern and control except to the extent directly contradicted by the terms of this Sublease. No presumption shall apply in the interpretation or construction of this Sublease as a result of Sublandlord having drafted the whole or any part hereof.

SECTION 11.02. *Remedies Cumulative.* The rights, privileges, elections, and remedies of Sublandlord in this Sublease, at law, and in equity are cumulative and not alternative.

SECTION 11.03. *Waiver of Redemption.* Subtenant hereby expressly waives any and all rights of redemption to which it may be entitled by or under any present or future laws in the event Sublandlord shall obtain a judgment for possession of the Subleased Premises.

SECTION 11.04. *Holding Over.* Any holding over by Subtenant after expiration of this Sublease with the consent of Sublandlord shall be deemed a tenancy from month-to-month at a monthly rate of 150% of the Base Rent and other amounts due for the last month of the Sublease term and shall otherwise be on the same terms and conditions set forth herein. Said monthly rent shall be due and payable monthly in advance on the first day of the month and otherwise as provided for in Article 3 hereof until such tenancy is terminated by Sublandlord or by Subtenant upon 30 days written notice to the other party. Any holdover without the consent of Sublandlord shall be deemed tenancy at sufferance. If Subtenant fails to surrender the Subleased Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Sublandlord accruing therefrom, Subtenant shall protect, defend, indemnify and hold Sublandlord harmless from all claims resulting from such failure, including but not limited to, any claims made by Master Landlord regarding any succeeding tenant founded upon such failure to surrender, and any lost profits to Master Landlord resulting therefrom.

SECTION 11.05. *Signage.* Subtenant shall be allowed to install Subtenant’s name on the exterior wall of the Building and on the monument sign, subject to Sublandlord’s and Master Landlord’s prior written consent, such consent not to be unreasonably withheld. All signs shall be at Subtenant’s sole cost and shall comply with Section 4.6 of the Master Lease and with all local, federal and state rules, regulations and ordinances at all times during the term hereof. Except for the monument sign, Subtenant acknowledges and agrees that its request for consent to signage shall be

limited to signage at the Subleased Premises. Subtenant, at Subtenant's sole cost, shall remove all such signs and graphics prior to the termination of this Sublease and repair any damage caused by such removal.

SECTION 11.06. *Offer.* Preparation of this Lease by either Sublandlord or Subtenant or either parties' agent and submission of same to Sublandlord or Subtenant shall not be deemed an offer to sublease. This Sublease is not intended to be binding until executed and delivered by all Parties hereto.

SECTION 11.07. *Sublandlord and Master Landlord's Consents.* In all provisions of the Master Lease (under the terms thereof and without regard to modifications thereof for purposes of incorporation into this Sublease) requiring the approval or consent of Master Landlord, Subtenant shall be required to obtain the approval or consent of both Sublandlord and Master Landlord, which consent by Sublandlord shall not be unreasonably withheld. Sublandlord agrees to cooperate with Subtenant in obtaining the Master Landlord's consent.

SECTION 11.08. *No Change in the Master Lease.* Sublandlord shall not voluntarily surrender possession of the Subleased Premises, terminate the Master Lease, unless otherwise permitted under the terms of the Master Lease, or execute an amendment to the Master Lease that would shorten the term of the Master Lease, reduce the services provided by Master Landlord or adversely affect Subtenant's rights under the Sublease, without the prior written consent of Subtenant, such consent not to be unreasonably withheld or delayed.

ARTICLE 12

HAZARDOUS MATERIALS

SECTION 12.01. *Hazardous Materials.* Notwithstanding anything contained herein or in the Master Lease to the contrary, Subtenant shall not store, use, or dispose of any Hazardous Materials (as such is defined in the Master Lease) on, under, or about the Subleased Premises.

SECTION 12.02. *Indemnity.* Subtenant shall be solely responsible for and shall defend, indemnify and hold Sublandlord and its partners, employees and agents harmless from and against all claims, penalties, expenses and liabilities, including attorneys' and consultants' fees and costs, arising out of or caused in whole or in part, directly or indirectly, by or in connection with its storage, use, disposal or discharge of Hazardous Materials whether in violation of this section or not, or Subtenant's failure to comply with any Hazardous Materials law. Subtenant shall further be solely responsible for and shall defend, indemnify and hold Sublandlord harmless from and against any and all claims, costs and liabilities, including attorneys' and consultants' fees and costs, arising out of or in connection with the removal, cleanup, detoxification, decontamination and restoration work and materials necessary to return the Subleased Premises to their condition existing prior to Subtenant's storage, use or disposal of the Hazardous Materials on the Subleased Premises. For the purposes of the indemnity provisions hereof, any acts or omissions of Subtenant or by employees, agents, assignees, contractors or subcontractors of Subtenant (whether or not they are negligent, intentional or unlawful) shall be strictly attributable to Subtenant. Subtenant's obligations under this section shall survive the termination of this Lease.

ARTICLE 13

BROKER'S COMMISSIONS

SECTION 13.01. *Commission.* Sublandlord and Subtenant represent and warrant to each other that each has not dealt with any brokers, except the following brokers: BT Commercial (Sublandlord's Broker) and Colliers Parrish (Subtenant's Broker) and with no other agent, finder, or other such person with respect to this Sublease and each agrees to indemnify and hold the other harmless from any claim asserted against the other by any broker, agent, finder, or other such person not identified above as Sublandlord's Broker or Subtenant's Broker. The commission to the Sublandlord's Broker is pursuant to separate agreement.

ARTICLE 14

NOTICES AND PAYMENTS

SECTION 14.01. *Certified Mail.* Any notice, demand, request, consent, approval, submittal or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served

personally or sent by prepaid, first-class certified mail or commercial overnight delivery service. Such notice shall be effective on the date of actual receipt (in the case of personal service or commercial overnight delivery service) or two days after deposit in the United States mail, to the following addresses:

Sublandlord at: Cirrus Logic, Inc.,
 3100 West Warren Avenue,
 Fremont, CA 94538

Subtenant at: ISE Labs
 46723 Lakeview Blvd.
 Fremont, CA 94538
 Attn.: CFO

ARTICLE 15

ATTORNEY’S FEES

SECTION 15.01. *Sublandlord Made Party to Litigation.* If Sublandlord becomes a party to any litigation brought by someone other than Subtenant and concerning this Sublease, the Subleased Premises, or Subtenant’s use and occupancy of the Subleased Premises to the extent, based upon any real or alleged act or omission of Subtenant or its authorized representatives, Subtenant shall be liable to Sublandlord for reasonable attorneys’ fees and court costs incurred by Sublandlord in the litigation.

SECTION 15.02. *Certain Litigation Between the Parties.* In the event any action or proceeding at law or in equity or any arbitration proceeding be instituted by either party, for an alleged breach of any obligation of Subtenant or Sublandlord under this Sublease, to recover rent, to terminate the tenancy of Subtenant at the Subleased Premises, or to enforce, protect, or establish any right or remedy of a party to this Sublease Agreement, the prevailing party (by judgment or settlement) in such action or proceeding shall be entitled to recover as part of such action or proceeding such reasonable attorneys’ fees, expert witness fees, and court costs as may be fixed by the court or jury, but this provision shall not apply to any cross-complaint filed by anyone other than Sublandlord in such action or proceeding.

ARTICLE 16

EXHIBITS

SECTION 16.01. *Exhibits and Attachments.* All exhibits and attachments to this Sublease are a part hereof.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed and delivered this Sublease on the date first set forth above.

SUBLANDLORD	SUBTENANT
CIRRUS LOGIC, INC., a California corporation	ISE LABS, INC., a California corporation
By: _____	By: _____
Its: _____	Its: _____
	By: _____

	Its: _____
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**SUBLEASE AGREEMENT
(BUILDING #5 - RENCO 59)**

This Sublease Agreement to Building #5 - Renco 59 (the “**Sublease**”) is made effective as of the ____ day of June, 2000, (the “**Effective Date**”) by and between Cirrus Logic, Inc., a California corporation (“**Sublandlord**”) and ISE Labs, Inc., a California corporation (“**Subtenant**”). By this Sublease, Sublandlord agrees to sublease to Subtenant, and Subtenant agrees to sublease from Sublandlord, those certain premises situated in the City of Fremont, County of Alameda, State of California, consisting of approximately seventy-nine thousand seven hundred fifty (79,750) square feet of space (the “**Subleased Premises**”) in that Building known as 46800 Bayside Parkway, Fremont, California (sometimes referred to as Renco 59 or Building #5) (the “**Building**”).

ARTICLE 1

MASTER LEASE AND OTHER AGREEMENTS

SECTION 1.01. *Applicable Provisions.* Except as specifically set forth herein, this Sublease is subject and subordinate to all of the terms and conditions of that certain Industrial Space Lease (the “**Original Lease**”) dated May 4, 1994, in effect by and between Cirrus Investments L.L.P., successor in interest to Renco Investment Company (“**Master Landlord**”) and Sublandlord, as Tenant, as amended by that certain Addendum to Lease of equal date therewith (the “**Addendum**”), and as further amended by that certain First Amendment to Lease, dated June 14, 1995, (the “**First Amendment**”). (The Original Lease, the Addendum, and the First Amendment are sometimes collectively referred to herein as the “**Master Lease**”). A copy of the Master Lease is attached hereto as Exhibit “A” and incorporated herein by reference. Subtenant hereby assumes and agrees to perform the obligations of Tenant under the Master Lease as more particularly set forth hereafter. Unless otherwise defined, all capitalized terms used herein shall have the same meanings as given them in the Master Lease. Neither Sublandlord nor Subtenant shall commit or permit to be committed any act or omission which would violate any term or condition of the Master Lease. Subtenant shall neither do nor permit anything to be done which would cause the Master Lease to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in Master Landlord under the Master Lease, and Subtenant shall indemnify and hold Sublandlord harmless from and against all liability, judgments, costs, demands, claims, and damages of any kind whatsoever (including, without limitation, attorneys’ fees and court costs) by reason of any failure on the part of Subtenant to perform any of the obligations of Tenant under the Master Lease which Subtenant has become obligated hereunder to perform. In the event of the termination of Sublandlord’s interest as Tenant under the Master Lease for any reason other than for Sublandlord’s breach, then this Sublease shall terminate automatically upon such termination without any liability of Master Landlord or Sublandlord to Subtenant. Subtenant represents and warrants to Sublandlord that it has read and is familiar with the Master Lease.

SECTION 1.02. *Applicable Provisions.* All of the terms and conditions contained in the Master Lease as they may apply to the Subleased Premises, except those directly contradicted by the terms and conditions contained in this document, and specifically, except for Sections 1.1 A-K, N, and S, 2.3, 2.4, 3.1, 3.6, 3.7, 13.2, and 14.2 of the Original Lease and Sections 1.1 S, 7.2A and B, 7.5 A and B, and 19 of the Addendum attached to the Original Lease, and all of the First Amendment are incorporated herein and shall be terms and conditions of this Sublease with each reference therein to “Landlord” or “Lessor”, “Tenant” or “Lessee”, “Premises” and “Lease” to be deemed to refer to Sublandlord, Subtenant, Subleased Premises, and Sublease, respectively, as appropriate, except the following provisions that are incorporated herein, the reference to Landlord shall mean Master Landlord only: Paragraphs 8, 9.2, 13.12 (b) and 16 of the Addendum, along with all of the following terms and conditions set forth in this document, shall constitute the complete terms and conditions of this Sublease.

SECTION 1.03. *Obligations of Sublandlord.* Notwithstanding anything herein contained, the only services or rights to which Subtenant is entitled hereunder are those to which Sublandlord is entitled under the Master Lease, and for all such services and rights Subtenant shall look solely to the Master Landlord under the Master Lease, and the obligations of Sublandlord hereunder shall be limited to using its reasonable good faith efforts to obtain the performance by Master Landlord of its obligations. Sublandlord shall have no liability to Subtenant or any other person for damage of any nature whatsoever as a result of the failure of Master Landlord to perform said obligations except for Master Landlord’s termination of the Sublandlord’s interest as Tenant under the Master Lease in the event of Sublandlord’s breach of the Master Lease, and Subtenant shall indemnify and hold Sublandlord harmless from any and all claims and

liability whatsoever for any such damage including, without limitation, all costs and attorneys' fees incurred in defending against same.

ARTICLE 2

TERM

SECTION 2.01. *Term.* The term of this Sublease shall commence on the earlier of (i) the date the Subtenant takes possession of the Subleased Premises to operate its businesses or (ii) August 1, 2000. This date shall be referred to as the "**Commencement Date**." The term of this Sublease shall end on December 22, 2007, unless sooner terminated pursuant to any provision of this Sublease or the Master Lease as applicable to the Subleased Premises (the "**Expiration Date**"). Notwithstanding the foregoing, Sublandlord shall have no obligation to Subtenant to exercise any of its options to extend under the Master Lease.

SECTION 2.02. *No Option to Extend.* Subtenant shall have no option to extend this Sublease.

SECTION 2.03. *Sublandlord's Inability to Deliver Subleased Premises.* In the event Sublandlord is unable to deliver possession of the Subleased Premises on or before the Commencement Date, Sublandlord shall not be liable for any damage caused thereby, nor shall this Sublease be void or voidable, but all rent due hereunder shall abate until such time as Sublandlord shall deliver possession of the Subleased Premises to Subtenant in the condition required under the terms of this Sublease.

SECTION 2.04. *Early Access.* After the execution of this Sublease, and prior to the Commencement Date, Sublandlord shall allow Subtenant and its employees, agents and contractors reasonable access to the Premises, subject to Sublandlord's reasonable consent, for space planning and preparation of the Subleased Premises, at reasonable dates and times mutually agreed upon between Sublandlord and Subtenant. With regards to this Section 2.5 only, while on the Subleased Premises, Subtenant and its agents, employees and contractors, shall be subject to all the terms and conditions of this Sublease, except for the payment of Rent.

ARTICLE 3

RENT

SECTION 3.01 *Rent.* Subtenant shall pay base rent to Sublandlord in advance each month during the term of this Sublease according to the Base Rent Schedule set forth below (the "**Base Rent**"). Base Rent for the first month of the term of this Sublease shall be paid in advance on the date of execution hereof by Subtenant. Thereafter, during the term of this Sublease, Base Rent shall be paid in advance on the first day of each calendar month. Base Rent for any partial month at the commencement or termination of this Sublease shall be prorated on the basis of the actual number of days in such month.

Base Rent Schedule

<u>Period</u>	<u>Base Rent Per Month</u>
Commencement Date through 12th month	\$107,662.00
13 th month through 24 th month	\$110,891.86
25 th month through 36 th month	\$114,218.62
37 th month through 48 th month	\$117,645.17
49 th month through 60 th month	\$121,174.53
61 st month through 72 nd month	\$124,809.77
73 rd month through 84 th month	\$128,554.06
85 th month through 96 th month	\$132,410.68
97 th month through Expiration Date	\$136,383.00

SECTION 3.02 *Additional Rent.* Any rent or other sums payable by Subtenant under this Sublease shall constitute and be due as additional rent (the "**Additional Rent**"). To the extent Sublandlord is charged for additional rent, or other sums pursuant to any of the provisions of the Master Lease, including without limitation, the cost of utilities and services, Property Operating Expenses, any insurance premiums or deductibles under the Master Lease, or any repair or

maintenance costs paid by Sublandlord under the terms of the Master Lease, Subtenant shall pay to Sublandlord and be liable for all such additional rent or sums as Additional Rent under this Sublease. If Subtenant shall procure any additional services from Master Landlord, Subtenant shall make such payment to Sublandlord or Master Landlord, as Sublandlord shall direct.

SECTION 3.03. *Payment of Rent.* Base Rent and Additional Rent shall sometimes collectively be referred to herein as “**Rent**”. All Rent shall be paid in lawful money of the United States of America, without deduction of offset, to the Sublandlord at: Cirrus Logic, Inc., P.O. Box 200301, Dallas, Texas 75320-0301, Acct # 4801 897521, or at any other place Sublandlord may from time to time designate by written notice mailed or delivered to Subtenant.

ARTICLE 4

SECURITY DEPOSIT

SECTION 4.01. *Security Deposit.* Upon execution hereof, Subtenant shall deposit with Sublandlord, in cash, the sum of one hundred thirty-six thousand three hundred eighty-four dollars and no cents (\$136,384.00) as and for a Security Deposit to secure Subtenant’s full and timely performance of all of its obligations hereunder. If Subtenant defaults after notice and the expiration of any cure period, with respect to any provision of this Sublease, Sublandlord may (but shall not be obligated to) use, apply, or retain all or any portion of said deposit for payment of any sum for which Subtenant is obligated or which will compensate Sublandlord for any loss or damage which Sublandlord may suffer thereby. Any such use, application, or retention shall not constitute a waiver by Sublandlord of its right to enforce its other remedies hereunder, at law, or in equity. If any portion of said deposit is so used, applied, or retained, Subtenant shall, within ten (10) days after delivery of written demand from Sublandlord, restore said deposit to its original amount. Subtenant’s failure to do so shall constitute a material breach of this Sublease, and in such event Sublandlord may elect, among or in addition to other remedies, to terminate this Sublease. Sublandlord shall not be a trustee of such deposit, and shall not be required to keep this deposit separate from its accounts. Sublandlord alone shall be entitled to any interest or earnings thereon and Sublandlord shall have the free use of same. If Subtenant fully and faithfully performs all of its obligations hereunder, then so much of the deposit as remains shall be returned to Subtenant (without payment of interest or earnings thereon) within thirty (30) days after the later of (i) expiration or sooner termination of the term of this Sublease; or (ii) Subtenant’s surrender of possession of the Subleased Premises to Sublandlord.

ARTICLE 5

THE SUBLEASED PREMISES

SECTION 5.01. *Condition of the Subleased Premises.* Subject to Paragraph 5.2 below, Subtenant acknowledges that as of the Commencement Date, Subtenant shall have inspected the Subleased Premises, and every part thereof, and by taking possession shall have acknowledged that the Subleased Premises are in good condition, broom clean, and without need of repair, and Subtenant accepts the Subleased Premises “AS-IS”, Subtenant having made all investigations and tests it has deemed necessary or desirable, or having been given the opportunity to make such investigations and tests, but declining to do so, in order to establish to its own complete satisfaction the condition of the Subleased Premises. Subtenant accepts the Subleased Premises in their condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances, and regulations governing and regulating the use of the Subleased Premises and any covenants or restrictions of record. Subtenant acknowledges that neither Sublandlord nor Master Landlord have made any representations or warranties as to the condition of the Subleased Premises or its present or future suitability for Subtenant’s purposes except as set forth in Paragraph 5.2 hereafter. Sublandlord shall deliver possession of the Subleased Premises in broom clean condition.

SECTION 5.02 *Sublandlord Representation of Condition.* Sublandlord warrants that at the Commencement Date the existing plumbing, electrical, and HVAC system shall be in operating condition and repair and that the roof with roof membrane will be in water-tight condition. If a non-compliance with said warranty exists at the time of the Commencement Date, Sublandlord shall, except as otherwise provided in this Sublease, promptly, after receipt of written notice from Subtenant setting forth with specificity the nature and extent of such non-compliance, rectify same at Sublandlord’s expense. If Subtenant does not give Sublandlord written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of such non-compliance shall be the obligation of Subtenant at Subtenant’s sole cost and expenses thereafter to the extent that it is an obligation of Subtenant under this Sublease, or if its an obligation of Sublandlord, shall be part of the additional rent under the Sublease as set forth in Paragraph 3.2.2 above.

SECTION 5.03. *Surrender.* Subtenant shall keep the Subleased Premises, and every part thereof in good order and repair. In addition to Subtenant's requirements under the Master Lease, upon the termination of this Sublease, Subtenant shall vacate and surrender the Subleased Premises to Sublandlord in substantially the same condition as received, broom clean, ordinary wear and tear excepted. During the term of this Sublease, Subtenant shall perform all necessary maintenance, repair and cleaning to maintain the Subleased Premises in the condition it was delivered at the Commencement Date.

ARTICLE 6

INSURANCE

SECTION 6.01. *Subtenant's Insurance.* With respect to the Tenant's insurance under the Master Lease, the same levels are to be provided by Subtenant as described in the Master Lease, and such policies of insurance shall include as named insureds Master Landlord, Sublandlord and any lender as required by Master Landlord or Sublandlord.

SECTION 6.02 *Waiver of Subrogation.* With respect to the waiver of subrogation contained in the Master Lease, such waiver as incorporated within this Sublease shall be deemed to include Master Landlord, Sublandlord and Subtenant.

ARTICLE 7

USE OF SUBLEASED PREMISES; PARKING; IMPROVEMENTS

SECTION 7.01. *Use of Subleased Premises.* Subtenant shall use the Subleased Premises for general office, sales, administration, research and development, and testing, and any related lawful purpose permitted under the Master Lease.

SECTION 7.02. *Alterations; Improvements.* Subtenant shall not make any alterations, improvements, or modifications to the Subleased Premises without the express prior written consent of Sublandlord and of Master Landlord, which consent by Sublandlord shall not be unreasonably withheld. Subtenant shall reimburse Master Landlord and Sublandlord for all commercially reasonable costs which Master Landlord and Sublandlord may incur in connection with granting approval to Subtenant for any such alteration and additions. Subtenant shall provide Master Landlord and Sublandlord with a set of "**as-built**" drawings for any such work, together with copies of all permits obtained by Subtenant in connection with performing any such work, within thirty (30) days after completing such work. On termination of this Sublease, Subtenant shall remove any or all of such improvements made by Subtenant or its agents, assigns or sub-tenants, and to restore the Subleased Premises (or any part thereof) to the same condition as of the Commencement Date of this Sublease, broom an, reasonable wear and tear excepted, or as otherwise instructed in writing by either Sublandlord or Master Landlord. Should Subtenant fail to remove such improvements and restore the Subleased Premises as of the termination of this Sublease, unless instructed otherwise in writing as set forth above, Sublandlord shall have the right to do so, and charge Subtenant therefore, plus a service fee of 15% of the costs incurred by Sublandlord. Sublandlord consents to the construction of a test lab on the Subleased Premises, so long as such construction complies with all of the terms and conditions of this Paragraph 7.2.

SECTION 7.03. *Parking.* So long as Subtenant is not in default and subject to the rules and regulations imposed from time to time by Master Landlord or Sublandlord, Subtenant shall have same rights as to parking as Tenant under the terms of the Master Lease.

ARTICLE 8

ASSIGNMENT, SUBLETTING & ENCUMBRANCE

SECTION 8.0.1. *Consent Required.* Except for a Permitted Transfer, as defined below, Subtenant shall not assign this Sublease or any interest therein nor shall Subtenant sublet, license, encumber or permit the Subleased Premises or any part thereof to be used or occupied by others, without Sublandlord's and Master Landlord's prior written consent, which consent shall not be unreasonably withheld. The consent by Sublandlord and Master Landlord to any assignment or subletting shall not waive the need for Subtenant (and Subtenant's assignee or subtenant) to obtain the consent of Sublandlord and Master Landlord to any different or further assignment or subletting. Except as otherwise provided for in Section 1.2 above, all terms and conditions set forth in the Master Lease regarding assignments and subletting shall apply, and to the extent there is any Bonus Rents, (Rent paid by such assignee or subtenant in excess of Rent paid by

Subtenant hereunder) the Bonus Rent shall first be split per the Master Lease and any Bonus Rent to go to Subtenant shall be split 50/50 with Sublandlord to be paid to Sublandlord within five (5) days of receipt by Subtenant, minus Subtenant's reasonable costs of such sublease or assignment for broker's fees and attorneys' fees. Notwithstanding the foregoing, except for any Bonus Rent that Sublandlord is required to pay to Master Landlord under the terms of the Master Lease, Subtenant shall not be required to pay any Bonus Rent to Sublandlord arising out of an assignment or sublease to a Permitted Transfer.

SECTION 8.02. *Form of Document.* Every assignment, agreement, or sublease shall recite that it is and shall be subject and subordinate to the provisions of this Sublease, that the assignee or Subtenant assumes Subtenant's obligation hereunder, but only to the extent applicable to the Premises, and that the termination of this Sublease shall, at Sublandlord's sole election, constitute a termination of every such assignment or sublease.

SECTION 8.03. *No Release of Subtenant.* Regardless of Sublandlord's consent, no subletting or assignment shall release Subtenant of Subtenant's obligation or alter the primary liability of Subtenant to pay the Rent and to perform all other obligations to be performed by Subtenant hereunder. The acceptance of Rent by Sublandlord from any other person shall not be deemed to be a waiver by Sublandlord of any provision hereof. In the event of default by any assignee, subtenant or any other successor of Subtenant, in the performance of any of the terms hereof, Sublandlord may proceed directly against Subtenant without the necessity of exhausting remedies against such assignee, subtenant or successor.

SECTION 8.04. *Default.* An involuntary assignment shall constitute a default and Sublandlord shall have the right to elect to terminate this Sublease, in which case this Sublease shall not be treated as an asset of Subtenant.

SECTION 8.05. *Permitted Transfer.*

8.5.1 Notwithstanding anything contained in this Sublease or the Master Lease, Subtenant may enter into any of the following transfers (a "**Permitted Transfer**") without Landlord's prior written consent: (1) Subtenant may sublease all or part of the Subleased Premises or assign its interest in the Sublease to any corporation or other entity which controls, is controlled by, or is under common control with the Subtenant; (2) Subtenant may assign its interest in the Sublease to a corporation or other entity which results from a merger, consolidation or other reorganization in which Subtenant is not the surviving corporation; (3) Subtenant may assign the Sublease to a corporation or other entity which purchases or otherwise acquires all or substantially all of the assets of Subtenant at the Subleased Premises; (4) Subtenant may reincorporate in another jurisdiction or reconstitute and convert to a different form, such as converting from a corporation to a limited liability company; and (5) Subtenant may sell its shares for the initial issuance or transfer of shares in Subtenant in connection with its public offering on a national stock exchange or a regularly traded over-the-counter market and quoted on NASDAQ or shares that may be traded publicly subsequent thereto, provided: (a) Subtenant is not in default under this Sublease beyond applicable cure periods; (b) if such proposed transferee is a successor to Subtenant by purchase, merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Subtenant and shall have a net worth which is at least equal to Subtenant's net worth at the date of the Permitted Transfer; (c) such proposed transferee operates the business in the Subleased Premises for the use described in this Sublease and no other purpose; and (d) in no event shall any Permitted Transfer release or relieve Subtenant from any of its obligations under this Sublease. Subtenant shall give Master Landlord written notice of any such Permitted Transfer.

ARTICLE 9

DEFAULT

SECTION 9.01. *Default Described.* The occurrence of any of the following shall constitute a material breach of this Sublease and a default by Subtenant: (i) failure to pay Rent or any other amount within three (3) days after due; (ii) all those items of default set forth in the Master Lease which remain uncured after the cure period provided in the Master Lease, other than the obligation of Sublandlord to pay Base Monthly Rent under the terms of the Master Lease; or (iii) Subtenant's failure to perform timely, subject to any cure periods any other material provision of this Sublease or the Master Lease, as incorporated herein.

SECTION 9.02. *Sublandlord's Remedies.* Sublandlord shall have the remedies set forth in the Master Lease as if Sublandlord is Master Landlord. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

SECTION 9.03. *Notice of Event of Default under Master Lease.* Sublandlord shall notify Subtenant of any Event of Default under the Master Lease, or of any other event of which Sublandlord has actual knowledge which will impair Subtenant's ability to conduct its normal business at the Subleased Premises, as soon as reasonably practicable, following Sublandlord's receipt of notice from Master Landlord of an Event of Default or Sublandlord's actual knowledge of such impairment.

SECTION 9.04. *Cross Defaults.* Sublandlord and Subtenant have entered into this Sublease and subleases for the following properties: 3098 West Warren Avenue, Building 44 ("**Building 44 Sublease**"), 46703 Lakeview Drive, Building 45 ("**Building 45 Sublease**"), and 46702 Bayside Parkway, Building 43 ("**Building 43 Sublease**"), all in the City of Fremont, Alameda County, State of California. This Sublease, the Building 44 Sublease, the Building 45 Sublease and the Building 43 Sublease are collectively referred to herein as the ISE Subleases. A default by Subtenant under the terms and obligations of any of the ISE Subleases shall be considered to be a default under all of the ISE Subleases. In the event of a default by Subtenant under any of the ISE Subleases, Sublandlord may pursue the remedies permitted by law or pursuant to the terms of any, either or all of the ISE Subleases, as if Subtenant had defaulted under any one or all of the ISE Subleases. If Subtenant and Sublandlord enter into any other sublease(s) at the Project, the immediately preceding cross default provisions shall apply to all such sublease(s).

ARTICLE 10

CONSENT OF MASTER LANDLORD

SECTION 10.01. *Precondition.* The Master Lease requires that Sublandlord obtain the consent of Master Landlord to any subletting by Sublandlord. If Master Landlord shall not have consented to this Sublease in a form reasonably acceptable to Sublandlord within thirty (30) days after the Commencement Date, Sublandlord may terminate this Sublease by providing written notice thereof to Subtenant. This Sublease shall not be effective unless and until Master Landlord signs a consent to this subletting satisfactory to Sublandlord and Subtenant. In compliance with the terms of Paragraph 7.3 of the Master Lease, Sublandlord shall use its best efforts to obtain Master Landlord's consent to this Sublease. If Sublandlord is unable to obtain Master Landlord's consent within thirty (30) days of the Effective Date, this Sublease shall terminate.

ARTICLE 11

MISCELLANEOUS

SECTION 11.01. *Conflict with Master Lease; Interpretation.* In the event of any conflict between the provisions of the Master Lease and this Sublease, the Master Lease shall govern and control except to the extent directly contradicted by the terms of this Sublease. No presumption shall apply in the interpretation or construction of this Sublease as a result of Sublandlord having drafted the whole or any part hereof.

SECTION 11.02. *Remedies Cumulative.* The rights, privileges, elections, and remedies of Sublandlord in this Sublease, at law, and in equity are cumulative and not alternative.

SECTION 11.03. *Waiver of Redemption.* Subtenant hereby expressly waives any and all rights of redemption to which it may be entitled by or under any present or future laws in the event Sublandlord shall obtain a judgment for possession of the Subleased Premises.

SECTION 11.04. *Holding Over.* Any holding over by Subtenant after expiration of this Sublease with the consent of Sublandlord shall be deemed a tenancy from month-to-month at a monthly rate of 150% of the Base Rent and other amounts due for the last month of the Sublease term and shall otherwise be on the same terms and conditions set forth herein. Said monthly rent shall be due and payable monthly in advance on the first day of the month and otherwise as provided for in Article 3 hereof until such tenancy is terminated by Sublandlord or by Subtenant upon 30 days written notice to the other party. Any holdover without the consent of Sublandlord shall be deemed tenancy at sufferance. If Subtenant fails to surrender the Subleased Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Sublandlord accruing therefrom, Subtenant shall protect, defend, indemnify and hold Sublandlord harmless from all claims resulting from such failure, including but not limited to, any claims made by Master Landlord regarding any succeeding tenant founded upon such failure to surrender, and any lost profits to Master Landlord resulting therefrom.

SECTION 11.05. *Signage.* Subtenant shall be allowed to install Subtenant's name on the exterior wall of the Building and on the monument sign, subject to Sublandlord's and Master Landlord's prior written consent, such consent not to be unreasonably withheld. All signs shall be at Subtenant's sole cost and shall comply with Section 4.6 of the Master Lease and with all local, federal and state rules, regulations and ordinances at all times during the term hereof. Except for the monument sign, Subtenant acknowledges and agrees that its request for consent to signage shall be limited to signage at the Subleased Premises. Subtenant, at Subtenant's sole cost, shall remove all such signs and graphics prior to the termination of this Sublease and repair any damage caused by such removal.

SECTION 11.06. *Offer.* Preparation of this Lease by either Sublandlord or Subtenant or either parties' agent and submission of same to Sublandlord or Subtenant shall not be deemed an offer to sublease. This Sublease is not intended to be binding until executed and delivered by all Parties hereto.

SECTION 11.07. *Sublandlord and Master Landlord's Consents.* In all provisions of the Master Lease (under the terms thereof and without regard to modifications thereof for purposes of incorporation into this Sublease) requiring the approval or consent of Master Landlord, Subtenant shall be required to obtain the approval or consent of both Sublandlord and Master Landlord, which consent by Sublandlord shall not be unreasonably withheld. Sublandlord agrees to cooperate with Subtenant in obtaining the Master Landlord's consent.

SECTION 11.08. *No Change in the Master Lease.* Sublandlord shall not voluntarily surrender possession of the Subleased Premises, terminate the Master Lease, unless otherwise permitted under the terms of the Master Lease, or execute an amendment to the Master Lease that would shorten the term of the Master Lease, reduce the services provided by Master Landlord or adversely affect Subtenant's rights under the Sublease, without the prior written consent of Subtenant, such consent not to be unreasonably withheld or delayed."

ARTICLE 12

HAZARDOUS MATERIALS

SECTION 12.01. *Hazardous Materials.* Notwithstanding anything contained herein or in the Master Lease to the contrary, Subtenant shall not store, use, or dispose of any Hazardous Materials (as such is defined in the Master Lease) on, under, or about the Subleased Premises.

SECTION 12.02. *Indemnity.* Subtenant shall be solely responsible for and shall defend, indemnify and hold Sublandlord and its partners, employees and agents harmless from and against all claims, penalties, expenses and liabilities, including attorneys' and consultants' fees and costs, arising out of or caused in whole or in part, directly or indirectly, by or in connection with its storage, use, disposal or discharge of Hazardous Materials whether in violation of this section or not, or Subtenant's failure to comply with any Hazardous Materials law. Subtenant shall further be solely responsible for and shall defend, indemnify and hold Sublandlord harmless from and against any and all claims, costs and liabilities, including attorneys' and consultants' fees and costs, arising out of or in connection with the removal, cleanup, detoxification, decontamination and restoration work and materials necessary to return the Subleased Premises to their condition existing prior to Subtenant's storage, use or disposal of the Hazardous Materials on the Subleased Premises. For the purposes of the indemnity provisions hereof, any acts or omissions of Subtenant or by employees, agents, assignees, contractors or subcontractors of Subtenant (whether or not they are negligent, intentional or unlawful) shall be strictly attributable to Subtenant. Subtenant's obligations under this section shall survive the termination of this Lease.

ARTICLE 13

BROKER'S COMMISSIONS

SECTION 13.01. *Commission.* Sublandlord and Subtenant represent and warrant to each other that each has not dealt with any brokers, except the following brokers: BT Commercial (Sublandlord's Broker) and Colliers Parrish (Subtenant's Broker) and with no other agent, finder, or other such person with respect to this Sublease and each agrees to indemnify and hold the other harmless from any claim asserted against the other by any broker, agent, finder, or other such person not identified above as Sublandlord's Broker or Subtenant's Broker. The commission to the Sublandlord's Broker is pursuant to separate agreement.

ARTICLE 14

NOTICES AND PAYMENTS

SECTION 14.01. *Certified Mail.* Any notice, demand, request, consent, approval, submittal or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class certified mail or commercial overnight delivery service. Such notice shall be effective on the date of actual receipt (in the case of personal service or commercial overnight delivery service) or two days after deposit in the United States mail, to the following addresses:

Sublandlord at: Cirrus Logic, Inc.,
 3100 West Warren Avenue,
 Fremont, CA 94538

Subtenant at: ISE Labs
 46723 Lakeview Blvd.
 Fremont, CA 94538
 Attn.: CFO

ARTICLE 15

ATTORNEY'S FEES

SECTION 15.01. *Sublandlord Made Party to Litigation.* If Sublandlord becomes a party to any litigation brought by someone other than Subtenant and concerning this Sublease, the Subleased Premises, or Subtenant's use and occupancy of the Subleased Premises to the extent, based upon any real or alleged act or omission of Subtenant or its authorized representatives, Subtenant shall be liable to Sublandlord for reasonable attorneys' fees and court costs incurred by Sublandlord in the litigation.

SECTION 15.02. *Certain Litigation Between the Parties.* In the event any action or proceeding at law or in equity or any arbitration proceeding be instituted by either party, for an alleged breach of any obligation of Subtenant or Sublandlord under this Sublease, to recover rent, to terminate the tenancy of Subtenant at the Subleased Premises, or to enforce, protect, or establish any right or remedy of a party to this Sublease Agreement, the prevailing party (by judgment or settlement) in such action or proceeding shall be entitled to recover as part of such action or proceeding such reasonable attorneys' fees, expert witness fees, and court costs as may be fixed by the court or jury, but this provision shall not apply to any cross-complaint filed by anyone other than Sublandlord in such action or proceeding.

ARTICLE 16

EXHIBITS

SECTION 16.01. *Exhibits and Attachments.* All exhibits and attachments to this Sublease are a part hereof..

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed and delivered this Sublease on the date first set forth above.

SUBLANDLORD

CIRRUS LOGIC, INC.,
a California corporation

By: _____

Its: _____

SUBTENANT

ISE LABS, INC.,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

ISE Labs Hong Kong Limited

February 9, 2001

Ng Yue Hung
Unit E, 8 Floor,
Southeast Industrial Building,
611-619 Castle Peak Road
Tsuen Wan
N.T.

Dear Mr. Ng,

**Renew the Tenancy for the Further Term of three (3) years,
Unit C, 22 Floor, Southeast Industrial Building
(Memorial #7743671)**

This is to inform you that we would like to continue the tenancy for further term of three (3) years following the tenancy agreement.

The agreement was registered in the land registry by memorial no.7743671 on April 30, 1999.

Please sign and return the duplicate copy to us.

Yours faithfully,

Accepted by Landlord:

/s/ Rabbi-ul Islam

Md. Rabbi-ul Islam
General Manager

/s/ Ng Yue Hung

Ng Yue Hung

Date: 12-2-2001

Dated 1st day of April 1999

HING SENG PLASTIC FACTORY LIMITED

and

ISE LABS (HK) LIMITED

TENANCY AGREEMENT

of

United C, 22nd Floor, Southeast Industrial
Building, Nos. 611-619 Castle Peak Road,
Tsuen Wan, New Territories

REGISTERED in the Land Registry
by Memorial No. 7743671
on 30 April 1999

(signature)
for Land Registrar

AN AGREEMENT made this 1st day of April One thousand nine hundred and ninety-nine

PARTIES

BETWEEN the parties described in Part 1 of the Schedule.

WHEREBY IT IS AGREED as follows:-

LETTING

1. The Landlord lets and the Tenant takes ALL THOSE the premises described in Part 2 of the Schedule (hereinafter referred to as “the said premises”) which premises form part of the development described in Part 2 of the Schedule (hereinafter referred to as “the said development”) which development is erected on the land described in Part 2 of the Schedule (hereinafter referred to as “the said land”) Together with the Landlord’s fixtures and fittings (including those described in Part 4 of the Schedule) in the said premises (hereinafter referred to as “the said fixtures”) and together with the use in common with the Landlord and all others having the like right of the common areas and of the equipment serving the said premises or intended for the common use of the owners or occupiers of the said building or the said land for the term (hereinafter referred to as “the said term”) and at the rent (hereinafter referred to as “the said rent”) described in Part 3 of the Schedule.

TENANT’S AGREEMENTS

2. The Tenant to the intent that the obligation shall continue throughout the said term hereby agrees with the Landlord as follows:-

(a) Rent management charge and rates

- (i) To pay the said rent as provided in Part 3 of the Schedule.
- (ii) To pay the monthly management charge payable in respect of the said premises by the Landlord in its capacity as owner of the said premises under the Deed of Mutual Covenant but excluding any part or element of such charge with represents payment of or a contribution to payment of costs expenses or other outgoings of a capital or non-recurring nature or which represents a contribution to a sinking fund or a contingency fund.
- (iii) To pay the rates and all other outgoings and impositions of an annual or recurring and non-capital nature assessed in respect of the said premises by the government of Hong Kong.

(b) Utilities

To pay and discharge all charges for telephone services, gas, electricity and water consumed by the Tenant in the said premises.

(c) Repair

To keep all the interior of the said premises including the floor coverings and the finishes to interior walls, ceilings, windows and doors in the said premises and, if and to the extent the same are damaged by the act or neglect of the Tenant, the said fixtures in good, clean and tenantable repair and condition (fair wear and tear, any damage or destruction of the sort referred to in sub-clause 4(i), any damage, defect or want of repair which subsists at the commencement of the said term or which is of a latent, inherent or structural nature all excepted) and to deliver up the same to the Landlord at the ending of the said term in such repair and condition.

(d) Installations

Not without the previous written consent of the Landlord to erect or install any wall, partitioning or other such erection in the said premises.

(e) Injury to premises

Not to cut or deface any door, window, structural wall, beam or structural member of the said premises nor any of the plumbing or sanitary apparatus or installations installed therein Provided that without breach of this Sub-Clause or any other provision of this Agreement the Tenant may after consultation with the Landlord carry out such works to the said premises and the fixtures and fittings therein as the Tenant reasonably considers necessary for the purpose of fitting-out the said premises to the standard required by the Tenant.

(f) Drains

To pay the Landlord on demand all reasonable costs properly incurred by the Landlord in cleansing or clearing any of the drains or water pipes in the said premises choked or stopped up owing to the improper use of the same by the Tenant.

(g) Protection of interior

To take reasonable precautions to protect the interior of the said premises against damage by storm, typhoon or other adverse weather condition.

(h) Nuisance

Not to do in the said premises any act which constitutes a nuisance to the Landlord or to the owners of other premises in the said development or in buildings in the neighbourhood of the said development.

(i) Government Lease and insurance

Not to do in the said premises any act which is not expressly or by implication permitted or contemplated by this Agreement and which constitutes a breach of any of the negative or restrictive terms and conditions of the Government grant under which the said land is held from the Government nor to do in the said premises any act which is not expressly or by implication permitted or contemplated by this Agreement whereby any insurance effected by the Landlord on the said premises against loss or damage by fire for the time being in force is rendered void or voidable or whereby the premium thereon is increased Provided that the Tenant shall have no liability under this Sub-Clause unless prior to the commission of any breach by the Tenant of the provisions of this Sub-Clause the Landlord has supplied the Tenant a copy of the fire policy or policies in force at the time of the breach.

(j) Combustible or hazardous goods

Not to keep or store or permit or suffer to be kept or stored in the said premises any arms ammunition gunpowder saltpetra kerosene or other explosive or combustible or hazardous goods in contravention of the Dangerous Goods Ordinance Cap.295.

(k) Use

(i) To use the Premises as provided in Part 4 of the Schedule hereto; and in the event of the permitted user as stated in Part 4 of the Schedule being non-domestic, at the Tenant's expense

to obtain all licences or permits necessary for carrying on the Tenant's business on the Premises and which under any Ordinance the Tenant as lessee has the obligation to obtain.

- (ii) Not to use the said premises or any part thereof or permit or suffer the same to be used for any illegal or immoral purpose nor to carry on or permit or suffer to be carried on therein or on any part thereof any offensive, noisome, noxious, noisy or dangerous trade, business manufacture or occupation whatsoever.
- (iii) Not to permit any person other than staff of the Tenant who occasionally have to do overtime work in relation to the Tenant's business to remain in the said premises overnight without the written permission of the Landlord which permission only to be given to enable the Tenant to post watchmen to look after the contents of the said premises which shall not be used as sleeping quarters or as domestic premises within the meaning of any landlord and Tenant (Consolidation) Ordinance or any amendments thereto or substitution therefor for the time being in force.

(l) Signs

Not to affix or display or permit or suffer to be affixed or displayed on the exterior of the said premises any signboard, sign, poster, picture or other such thing whether illuminated or not;

(m) Common areas

Not to encumber or obstruct or permit to be encumbered or obstructed with any of the Tenant's boxes, packaging or other things any of the common areas and not to leave any of the Tenant's rubbish in the common areas except those parts of the common areas designated for such purpose.

(n) Ordinances and Deed of Mutual Covenant

Not to do in the said premises any act which is not expressly or by implication permitted or contemplated by this Agreement and which constitutes a breach of any ordinance relating to the use of the said premises by the Tenant nor to do in the said premises any act which is not expressly or by implication permitted or contemplated by this Agreement which constitutes a breach of the restrictive or negative covenants which affect the said premises in the Deed of Mutual Covenant.

(o) Alienation

Not to assign, sub-let, underlet, mortgage or charge the said premises.

(p) Entry

To permit the Landlord and all persons bearing the written authority of the Landlord at all reasonable times and upon prior appointment having been made with the Tenant to enter and view the state of the said premises and, during the last three months immediately preceding the expiration of the said term to show the said premises to prospective tenants or purchasers of the said premises to prospective tenants or purchasers of the said premises provided that in exercising its rights under this Sub-Clause the Landlord shall cause and shall ensure that all persons entering the said premises pursuant to this Sub-Clause cause the least possible inconvenience to the occupier of the said premises and shall forthwith make good any damage, injury or loss caused by or as a consequence of entry on to the said premises, to the Tenant, the occupier of the said premises, the said premises or any thing in or affixed to the said premises.

(q) Yield up

At the ending of the said term quietly to yield up the said premises in a condition consistent with performance by the Tenant of its obligations under Sub-Clause [2(e)].

LANDLORD'S AGREEMENTS

3. The Landlord hereby agrees with the Tenant as follows:-

(a) Payments

To promptly pay the Crown Rent, Property Tax and all expenses of a capital or non-recurring nature attributable to or payable in respect of the said premises.

(b) Quiet enjoyment

That the Tenant paying the rent hereby reserved and observing and performing its obligations under this Agreement shall peaceably hold and enjoy the said premises the said fixtures and the rights granted in Clause 1 without any interruption by the Landlord or any person claiming under or in trust for the Landlord or by virtue of title paramount.

(c) Deed of Mutual Covenant

To exercise and enforce its rights under the Deed of Mutual Covenant against each and every other person who is bound by such Deed of Mutual Covenant.

(d) Repair

To the extent that the same is not the obligation of the Tenant under Sub-Clause [2(e)] to keep the said premises and the said fixtures and the equipment serving the said premises in good, clean and tenable repair and condition.

(e) Building

To use its reasonable endeavours keep or procure that there is kept in good, clean and tenable repair and condition the equipment, the said development and the common areas.

FURTHER PROVISIONS

4. IT IS HEREBY FURTHER AGREED that the parties will be obliged and bound by, and will have rights and powers in accordance with the following provisions:-

(a) Re-entry

If the said rent or any part thereof shall be unpaid for 15 days after service of a written notice calling upon the Tenant to make payment of the same or if the Tenant shall fail to observe and perform any of its obligations under this Agreement or if the Tenant shall become bankrupt or shall go into insolvent liquidation or make any composition with its creditors or shall suffer any successful prosecution in respect of the non-payment of any money due from it to the Hong Kong Government in respect of the said premises then and in any such case it shall be lawful for the Landlord at any time thereafter to re-enter on the said premises or any part thereof in the name of the whole whereupon this Agreement shall determine but without prejudice to any right or claim of either party in respect of any antecedent breach of this Agreement or to the right of the Tenant to the return of the said deposit in accordance with clause 6.

(b) Notice sufficient

A notice served by the Landlord on the Tenant in manner hereinafter mentioned to the effect that the Landlord thereby exercises the power of re-entry herein contained shall be a full and sufficient exercise of such power without actual physical re-entry on the part of the Landlord.

(c) No waiver

Acceptance of the said rent by the Landlord shall not be deemed to operate as a waiver by the Landlord of any right to proceed against the Tenant in respect of any consistent breach of the Tenant's obligations under this Agreement.

(d) Indemnity

The Tenant shall indemnify the Landlord from and against all proceedings taken against the Landlord by any person in respect of any damage or injury caused to such person by the overflow from the said premises of water the origin of which is in the said premises or the escape from the said premises of fumes, smoke, fire or other substance or thing the origin of which is in the said premises owing in any case to the negligence of the Tenant.

(e) Premises

The Landlord warrants to the Tenant that the said premises are authorised for use and occupation as provided for under this Agreement.

(f) Acts of servants

For the purpose of this Agreement any act, default, negligence or omission of any visitor, servant or agent of the Tenant or of the Landlord shall be deemed to be the act, default, negligence or omission of the Tenant or (as the case may be) the Landlord.

(g) Distrain

For the purposes of Part III of the Landlord and Tenant (Consolidation) Ordinance, (Chapter 7) and of this Agreement, the said rent shall be and be deemed to be in arrear if not paid in advance at the times provided for payment thereof.

(h) Notices

Any notice required to be served under this Agreement shall be in writing and shall, if to be served on the Tenant, be sufficiently served if addressed to the Tenant and sent by prepaid registered post to or delivered at the Tenant's registered office in Hong Kong and, if to be served on the Landlord shall be sufficiently served if addressed to the Landlord and sent by prepaid registered post to or delivered at the Landlord's registered office in Hong Kong.

(i) Rent cesser

If at any time or times the said premises or any part thereof are inaccessible, or if at any time or times the said premises or any part thereof are destroyed or damaged owing to fire water storm wind typhoon defective construction white ants earthquake subsidence of the ground or any other cause whatsoever so as to render the said premises or any part thereof unfit for habitation or use, or if at any time or times any order is made or served under the Buildings Ordinance in respect of the said premises or any part thereof, or if at any time or times the said premises or any part thereof are for any reason unfit, unsuitable or unsafe for habitation or use (which events are hereinafter referred to as "the calamity") then the rent hereby reserved and all other sums payable by the Tenant under this Agreement shall immediately be suspended and cease to be payable until (as the circumstances may

require) the said premises and every part thereof (or is) are rendered accessible, or are reinstated so as to be fit for habitation and use, or are fit, suitable and safe for habitation and use or are free of any such order Provided that should the said premises and every part thereof not (as the circumstances may require) have been rendered accessible, reinstated so as to be fit for habitation and use, become fit suitable and safe for habitation and use or free of any such order in the meantime either the Landlord or the Tenant may at any time after one month from the calamity give to the other of them notice in writing to determine this Agreement and thereupon the same and everything herein contained shall determine as from the date of the calamity but without prejudice to the rights and remedies of either party against the other in respect of any antecedent claim or breach of this Agreement or of the Tenant in respect of its right to the return of its deposit in accordance with Clause 6 hereof.

(j) Stamp duty and costs

All legal costs and disbursements and other expenses of or incidental to the preparation and completion of this Agreement and the stamp duty on this Agreement and its duplicate shall be borne by the parties hereto in equal shares.

KEY MONEY

5. The Tenant declares that for the grant of the said term no key money or premium or other such consideration other than the consideration referred to in this Agreement has been paid or will be payable by the Tenant to the Landlord or to any person.

TENANT'S DEPOSIT

6. (a) The Tenant shall on the signing of this Agreement deposit with the Landlord the sum specified in Part 3 of the Schedule (in this Agreement referred to as "the said deposit"). The said deposit shall be held by the Landlord free of interest to the Tenant with power for the Landlord to deduct from the said deposit the amount of any monetary loss the Landlord suffers because of any breach by the Tenant of its obligations under this Agreement but subject to this the said deposit shall be returned to the Tenant within fourteen days after the ending of the said term and the delivery of vacant possession of the said premises.
- (b) In the event of any transfer of the Landlord's interest in the said premises, the Landlord shall at its own cost obtain upon such transfer from the person to whom such transfer is made a legally binding undertaking in favour of the Tenant to observe and perform the obligations of the Landlord under this Agreement including the obligations of the Landlord under this Clause 6 and upon such undertaking being obtained and supplied to the Tenant the Landlord shall transfer the said deposit to the person giving the undertaking.
- (c) The Landlord hereby acknowledges receipt from the Tenant of the said deposit.

DELIVERY OF VACANT POSSESSION/REINSTATEMENT BY THE TENANT

7. It is hereby expressly agreed that at the expiration of the said term or at any time when the Tenant shall deliver up vacant possession of the said premises to the Landlord the Tenant shall at the same time if so required by the Landlord forthwith remove all fixtures, additions, fittings and improvements affixed, installed or made by the Tenant at or to the said premises and make good any damage caused to the said premises by such removal.

OPTION TO RENEW

8. (a) Option

If the Tenant shall be desirous of renewing the tenancy created by this Agreement for a further term of three (3) years from the expiration of the said term and shall not less than three months before the expiration of the said term give to the Landlord notice in writing of such desire then the Landlord will let the said premises to the Tenant for a further term of three (3) years from the day immediately following the expiry of the said term at the same rent as provided in Part 3 of the Schedule and subject to this and save and except for this provision for renewal on the same terms and conditions as this Agreement.

INTERPRETATION DEFINITIONS

9. In this Agreement unless otherwise specified:-

- (a) any reference to a Clause, Sub-Clause or Schedule is a reference to a clause, sub-clause or schedule of or to this Agreement;
- (b) headings have been inserted for ease of reference only and shall not affect construction or interpretation;
- (c) words importing the singular include the plural and vice versa and words of one gender include all the other genders;
- (d) “the ending of the said term” means the coming to an end of the said term in any way including expiration, termination, surrender and forfeiture;
- (e) “the Landlord” means the person named in this Agreement as the Landlord and the person for the time being entitled to the reversion immediately expectant on the ending of the said term;
- (f) “the common areas” means those parts of the said development and the said land intended for the common use of the owners or occupiers of the said development or the said land;
- (g) “the Deed of Mutual Covenant” means the Deed of Mutual Covenant registered in the Land Registry by Memorial No.3037693 and includes such Deed as amended, modified or extended and includes any instrument including any sub-deed of mutual covenant or management agreement (including the Sub-Deed of Mutual Covenant registered in the Land Registry by Memorial No.5461236) made under or pursuant to it;
- (h) “the equipment” means the plant, machinery, apparatus, lifts, systems, services, facilities, conduits and conductive media of or benefitting the said development or the said land;
- (i) a reference to a specific ordinance includes such ordinance as amended, modified, consolidated, extended or re-enacted and includes any subsidiary legislation, regulations, orders and instruments for the time being made under or pursuant to it or deriving validity from it;
- (j) where a party consists of two or more persons the obligations of such persons shall be joint and several.

AS WITNESS the hands of the parties hereto the day and year first above written.

THE SCHEDULE

Part 1

(PARTIES)

LANDLORD: Hing Seng Plastic Factory Limited whose registered office is situate at Unit E, 8th Floor, Southeast Industrial Building, Castle Peak Road, Tsuen Wan, New Territories ("the Landlord").

TENANT: ISE LABS (HK) Limited of Unit C, 22nd Floor, Southeast Industrial Building, Castle Peak Road, Tsuen Wan, New Territories ("the Tenant").

Part 2

(PREMISES, BUILDING, LAND)

THE SAID PREMISES: Unit C, 22nd Floor, Southeast Industrial Building, Nos. 611-619 Castle Peak Road, Tsuen Wan, New Territories.

THE SAID DEVELOPMENT: Southeast Industrial Building, Nos. 611-619 Castle Peak Road, Tsuen Wan, New Territories.

THE SAID LAND: Section A of Tsuen Wan Inland Lot No. 17 and the Extension thereto; Section A of Tsuen Wan Marine Lot No. 7.

Part 3

(TERM, RENT, DEPOSIT)

THE SAID TERM: For the term of two (2) years commencing on 1st April 1999 and expiring on 31st March 2001.

THE SAID RENT: HK\$20,000.00 per month payable monthly (and so in proportion for any period less than a month) in advance on the 1st day of each month during the said term.

THE SAID DEPOSIT: HK\$40,000.00

Part 4

(PERMITTED USE)

The Tenant shall have the right to use the said premises for non-domestic purposes.

SIGNED BY Ng Yue Hing,)
its director)
for and on behalf of the Landlord)
in the presence of:-) /s/ Ng Yue Hing

/s/ Kenneth Yeung
 Solicitor & Notary Public
 Messrs. Poon, Yeung & Li
 Solicitor & Notaries

SIGNED BY Md. Rabbi-ul Islam)
General Manager)
for and on behalf of the Tenant)
whose signature is verified by:) /s/ Md. Rabbi-ul Islam

/s/ Kenneth Yeung
 Solicitor & Notary Public
 Messrs. Poon, Yeung & Li
 Solicitor & Notaries

Lease No.

The lease is made between the landlord SHINANO KENSHI (HK) CO., LTD. (hereinafter called "Party A") and the tenant ISE LABS HONG KONG LTD. (hereinafter called "Party B"). Both parties hereby agree to enter into and abide by all the terms and conditions set out herein.

(1) Party A hereby leases Flat D & E store room, 23/F, South East Industrial Building, 611-619 Castle Peak Road, Tsuen Wan to Party B at a monthly rent of HK\$1,100 (a receipt will be issued upon each payment) for two years from October 1, 2000 to September 30, 2002. The tenant is not allowed to terminate the lease at any time within the lease term, otherwise a rent for the rest of the term shall be paid.

(2) Party B shall not sub-lease or re-lease the flat to any other person and shall not occupy any other place than the leased premise. Party B shall give a month's prior written notice in case of renewal (a new contract will be made in such case) or termination upon the expiry of the lease.

(3) The payment of the rent shall be paid on the first date of each month and shall not be delayed. In case where Party B is unable to pay to Party A the rent 10 days after the due date or to perform any terms and conditions herein, Party B shall have the legal right to terminate the lease and lease the flat to any other person and recover from Party A the unpaid rent.

(4) Party B shall remove all furniture (except for the furniture leased by Party A within the lease term upon its removal and clear all the relevant procedures. If Party B does not return the door keys or leaves old furniture in the premise for three days upon removal, Party B shall be regarded as giving up its right and Party A shall be entitled to sell the furniture with one or two witnesses without notifying the policeman or the court. Any sales proceeds therefrom shall be used as payment of any default rent and Party B shall pay any shortfall thereof.

(5) Party B needs not pay construction fee and lease premium but shall pay two months rents as a deposit, i.e. HK\$2,200 to Party A (a receipt will be issued). Party A shall return the amount free of interest to Party B at its removal and take back the receipt thereof. Party A shall be entitled to deduct any amount payable but unpaid rents or fees from the deposit.

(6) The rates, property tax and Government rents shall be paid by Party A and other miscellaneous fees including charges relating to the elevator, water, electricity, pumping and cleaning and the management fee shall also be paid by Party A.

(7) All original facilities and partition of the premise may not be altered without the consent of Party A.

(8) The premise is for storage purpose only and Party B shall not store any inhibited articles inside the premise or do anything against the laws of the Hong Kong Government. Party B shall not transfer the premise to any other person within or upon the expiry of the lease term.

(9) Party B hereby receives 2 keys to the gate, which shall be returned to the landlord upon removal. Any lost keys shall be replicated and returned. Anything not mentioned herein shall be settled in accordance with the lease ordinances of Hong Kong.

(10) The lease is in duplicates, each of which is held by Party A and Party B respectively.

(11) The lease may not be terminated in the first year of the lease term and the tenant shall give one month's prior written notice for any termination in the second year.

Party A: SHINANO KENSHI (HK) CO., LTD.
ID No.

or Business Registration No. 10258283

Party B: ISE LABS HONG KONG

ID No.

or Business Registration No. 18845266

September 28, 2000

(I) Information about the parties

The information on both the landlord and the tenant includes:

- (1) names
- (2) ID No.s / Business Registration No.s
- (3) addresses - for service of notice
- (4) contact No.s

(II) Information about the premise

The information on the premise includes:

- (1) the actual location of the premise, including the name of the building, the street no., flat no. and floor no.
- (2) if there is parking space, indicate the no. & location
- (3) the lot no. of the building

Any additional installments to the building should be listed.

Address of the premise: Flat D & E store room, 23/F, South East Industrial Building, 611-619 Castle Peak Road, Tsuen Wan

Lease Term: 2 years

Expiry Date: September 30, 2002

Correspondence address of the landlord: Flat D, 24/F, South East Industrial Building, 611-619 Castle Peak Road, Tsuen Wan

Tel: 24110013

Fax:

Correspondence address of the tenant: Flat D, 22/F, South East Industrial Building, 611-619 Castle Peak Road, Tsuen Wan

Tel: 24128787

Fax:

Lease No.

The lease is made between the landlord Chiang Sui Lun (hereinafter called "Party A") and the tenant ISLAM Md, Rabbi-ul (hereinafter called "Party B"). Both parties hereby agree to enter into and abide by all the terms and conditions set out herein.

(1) Party A hereby leases Flat E, 22/F, Block 3, Bayview Garden, Tsuen Wan to Party B at a monthly rent of HK\$10,500 (a receipt will be issued upon each payment) for two years from November 1, 2000 to October 30, 2002. The tenant is not allowed to terminate the lease at any time within the lease term, otherwise a rent for the rest of the term shall be paid.

(2) Party B shall not sub-lease or re-lease the flat to any other person and shall not occupy any other place than the leased premise. Party B shall give a month's prior written notice in case of renewal (a new contract will be made in such case) or termination upon the expiry of the lease.

(3) The payment of the rent shall be paid on the first date of each month and shall not be delayed. In case where Party B is unable to pay to Party A the rent 10 days after the due date or to perform any terms and conditions herein, Party B shall have the legal right to terminate the lease and lease the flat to any other person and recover from Party A the unpaid rent.

(4) Party B shall remove all furniture (except for the furniture leased by Party A within the lease term upon its removal and clear all the relevant procedures. If Party B does not return the door keys or leaves old furniture in the premise for three days upon removal, Party B shall be regarded as giving up its right and Party A shall be entitled to sell the furniture with one or two witnesses without notifying the policeman or the court. Any sales proceeds therefrom shall be used as payment of any default rent and Party B shall pay any shortfall thereof.

(5) Party B needs not pay construction fee and lease premium but shall pay two months rents as a deposit, i.e. HK\$21,000 to Party A (a receipt will be issued). Party A shall return the amount free of interest to Party B at its removal and take back the receipt thereof. Party A shall be entitled to deduct any amount payable but unpaid rents or fees from the deposit.

(6) The rates, property tax, Government rents and management fee shall be paid by Party A and other miscellaneous fees including charges relating to the elevator, water, electricity, pumping and cleaning shall be paid by Party B.

(7) All original facilities and partition of the premise may not be altered without the consent of Party A. If Party A receives the written notice from governmental departments notifying the demolition of the premise, Party B shall move out from the premise and Party A shall not be obliged to make any compensation.

(8) The premise is for residence purpose only and Party B shall not store any inhibited articles inside the premise or do anything against the laws of the Hong Kong Government. Party B shall not transfer the premise to any other person within or upon the expiry of the lease term.

(9) Party B hereby receives the keys to the gate, the room doors and the post box, which shall be returned to the landlord upon removal. Any lost keys shall be replicated and returned.

(10) Party B may only dry up clothes within the prescribed area and Party A shall not be liable for any loss incurred therefrom. Party B shall not post bills or hang personal or corporate banners or any promotional advertisement in any place within the premise. Party B shall not install cloth-rack or neon light tubes on the outer wall of the premise, otherwise Party A shall be entitled to remove the same at the expense of Party B.

(11) All doors, windows and facilities in the kitchen and bathroom including the basin, water hose and water pipes shall be repaired by Party B in case of any damage. In case where Party B has caused damage to the premise or any other person or other person's furniture and belongings, Party B shall make compensation thereon. Party B shall buy insurances covering risks relating to typhoon, water, fire, theft and accidents at its own costs and Party A not shall be liable therefor.

(12) Party B shall not rear cats, dogs and other annoying birds and animals.

(13) Party B shall not remove anything originally installed in the premise without the consent of Party A. The existing electric appliances inside the premise include two heaters, four air-conditioners, one water meter and one electricity meter, which shall be returned by Party B in complete shape upon termination of the lease term. Any intentional damage thereto by Party B may be prosecuted and Party B shall compensate for any loss incurred therefrom.

(14) The water meter and electricity meter are registered under the name of Party A and Party A shall be responsible for maintaining and repairing the same. Party B shall make payments according to the meters. In case where Party B is unable to pay the rent for more than 15 days or pay electricity and water charges or the management fee, Party A shall be entitled to cut the supply of water and electricity.

(15) The lease has one original copy and one carbon copy, which are separately held by Party A and Party B. Party A and Party B shall equally share the stamp duty and legal fees. Anything not mentioned herein shall be settled in accordance with the lease ordinances of Hong Kong.

(16) There are already a range hood, a cooker and window lattices and curtains and pendent lamps in the whole premise.

(17) The landlord will lend the keys of the premise to the tenant on October 20, 2000 for it to move in.

(18) The lease may be negotiated at any time after one year within the lease term.

Party A: BLESS SILVER DEVELOPMENT LIMITED
Mr Chiang Sui Lun ID No. E553163(6)
or Business Registration No. 13551337-000-12-99-3

Party B: ISE LABS HONG KONG
Mr ISLAM Md, Rabbi-ul ID No. P509522(4)
or Business Registration No. 18845266-000-11-99-8

October 20, 2000

(I) Information about the parties

The information on both the landlord and the tenant includes:

- (1) names
- (2) ID No.s / Business Registration No.s
- (3) addresses - for service of notice
- (4) contact No.s

(II) Information about the premise

The information on the premise includes:

- (1) the actual location of the premise, including the name of the building, the street no., flat no. and floor no.
- (2) if there is parking space, indicate the no. & location
- (3) the lot no. of the building

Any additional installments to the building should be listed.

Address of the premise: Flat E, 22/F, Block 3, Bayview Garden, Tsuen Wan

Lease Term: 2 years

Expiry Date: October 30, 2000

Correspondence address of the landlord:

Tel: 96577410

Fax:

Correspondence address of the tenant:

Tel:

Fax:

Hang Seng Bank 243122975 882

DATED THE 24TH DAY OF FEBRUARY 1997

BETWEEN

AFASIA KNITTING FACTORY (MALAYSIA) SDN BHD
(Company No. 16748-H)

-AND-

ASE ELECTRONICS (M) SDN BHD
(Company No. 212592-H)

SALE AND PURCHASE AGREEMENT

MESSRS GHAZI & LIM
ADVOCATES & SOLICITORS
19TH FLOOR PLAZA MWE
NO 8 LEBUH FARQUHAR
10200 PENANG

(FILE REP: A66/96/TSS/tph)

SALE AND PURCHASE AGREEMENT

AN AGREEMENT made this 24th day of February 1997 **BETWEEN:** -

1. PARTIES

- 1.1 Afasia Knitting Factory (Malaysia) Sdn Bhd (Company No. 16748-H), a company incorporated in Malaysia and having its registered office at Suite 123-K, 2nd Floor, Wisma Lister Garden, Macalister Road, 10400 Penang (hereinafter referred to as “the Vendor”).
- 1.2 ASE Electronics (M) Sdn Bhd (Company No. 212592-H), a Company incorporated in Malaysia and having its registered office at 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang (hereinafter referred to as “the Purchaser”).

2. RECITALS

- 2.1 The Vendor is the registered proprietor of all that piece of land known as No. P.T. 1707, Mukim 12, Daerah Barat Daya, Pulau Pinang comprised in Suratan Hakmilik Sementara No. HS(D) 7817 together with any buildings erected thereon (hereinafter referred to as “the said Property”).
- 2.2 The said Property is subject to the following conditions of title and restrictions in interest: -

SYARAT-SYARAT NYATA

“Pemilik yang berdaftar selepas Perbadanan Pembangunan Pulau Pinang hendaklah: -

- (i) Dalam tempoh masa 2 tahun dari tarikh pindah milik yang pertama didaftarkan atau dalam jangka masa yang ditetapkan yang diluluskan oleh Pihak Berkuasa Negeri, mendirikan bangunan kilang atau bangunan kilang-kilang di atas tanah yang diberi milik itu mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan dan hendaklah memelihara bangunan atau bangunan-bangunan yang telah didirikan itu dengan memuaskan Pihak Berkuasa Tempatan.
- (ii) Membersihkan, melupuskan atau menyebabkan berlakunya pembersihan dan perlupusan ‘effluents’ perdagangan dalam bentuk atau cara yang memuaskan pihak-pihak berkuasa yang berkenaan.
- (iii) Membayar dan menjelaskan semua cukai, kadar-kadar bayaran hasil dan lain-lain bayaran yang dinilai pada masa itu terhadap tanah yang diberi milik tersebut atau mana-mana bahagian yang berkenaan yang dikenakan oleh Majlis Perbandaran Pulau Pinang.
- (iv) Mempastikan bahawa 30% daripada pekerja-pekerja yang diambil dalam perniagaan untuk tanah yang diberi milik itu hendaklah terdiri dari kaum Bumiputra.

SEKATAN-SEKATAN KEPENTINGAN

- (i) Tanah yang diberimilik ini tidak boleh dipindah milik, cagar, pajak atau pajakan kecil tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri.
- (ii) Tanah yang diberimilik ini tidak boleh dipecah sempadan atau dipecah bahagian.

- 2.3 The Land is free from encumbrances.
- 2.4 The Vendor has agreed to sell to the Purchaser and the Purchaser has agreed to purchase the said Property free from all encumbrances and with vacant possession but subject to all implied or express terms conditions and restrictions in interest affecting the title subject to and on the terms and conditions hereinafter agreed.

3. **DEFINITIONS**

In this agreement, where the context shall otherwise require, the following expressions shall have the following meanings: -

- 3.1 “Acquisition Notice”: a notice published in the Government Gazette, pursuant to Section 4 of the Land Acquisition Act, 1960.
- 3.2 “Balance”: the sum of Ringgit Malaysia Three Million Fifty Five Thousand One Hundred Sixty Three and Cents Nine (RM3,055,163.09) only comprising the RPGT Sum and the Final Balance.
- 3.3 “Buildings on the Land”: all those structures and Buildings erected on the Land.
- 3.4 “Completion”: Payment of the Balance on the Completion Date pursuant to Clause 9 herein.
- 3.5 “Completion Date”: the date of full payment of the Balance which is to be within forty five (45) days from the date of receipt by the Purchaser’s Solicitors of the State Authority Consent as defined herein (and not PDC consent or any other consent from any other competent authorities to the sale and purchase of the said Property).
- 3.6 “Declaration”: declaration published in the Government Gazette, pursuant to Section 8 of the Land Acquisition Act, 1960.
- 3.7 “Deposit”: the sum of Ringgit Malaysia Three Hundred Thirty Nine Thousand Four Hundred Sixty Two and Cents Fifty Seven (RM339,452.57) only being 10% of the Purchase Price.
- 3.8 “Development”: the meaning given by Section 2(1) of the Town and Country Planning Act, 1976.
- 3.9 “Final Balance”: the Balance less the RPGT Sum.
- 3.10 “Holiday”: any day other than a Working Day.
- 3.11 “Land”: all that piece of land known as No. P.T. 1707, Mukim 12, Daerah Barat Daya, Pulau Pinang comprised in Suratan Hakmilik Samentara No. HS(D) 7817.
- 3.12 “Permitted Use”: industry.
- 3.13 “the said Property”: all of the Land including the Buildings on the Land (if any).
- 3.14 “PDC”: the Penang Development Corporation.
- 3.15 “Purchase Price”: the sum of Ringgit Malaysia Three Million Three Hundred Ninety Four Thousand Six Hundred Twenty Five and Cents Sixty Six (RM3,394,625.66) only, which is derived from the price of RM16.70 per square foot of the Land.

- 3.16 “Purchaser’s Solicitors”: Messrs Ghazi & Lim, 19th Floor, Plaza MWE, No. 8, Lebuhr Farquhar, 10200 Penang.
- 3.17 “RPGT Sum”: the sum of Ringgit Malaysia One Hundred Sixty Nine Thousand Seven Hundred Thirty One and Cents Twenty Eight (RM169,731.28) only to be placed in an interest bearing account by the Vendor’s Solicitors as stakeholder for payment of any Real Property Gains Tax in accordance with the Real Property Gain Tax Act 1976.
- 3.18 “State Authority”: person or body exercising powers under statute or any other written law within the State of Penang.
- 3.19 “State Authority Consent”: the approval and written consent from the State Authority permitting the sale and transfer of the said Property by the Vendor to the Purchaser. If the consent of the State Authority shall be conditional, the consent of the State Authority shall be deemed not obtained until the fulfilment of all the conditions therein contained.
- 3.20 “Vendor’s Solicitors”: Messrs Peter Huang & Richard, 368-3-1, Belissa Row, Jalan Burmah, 10350 Penang.
- 3.21 “Working Day”: any day from Monday to Saturday, except for public holidays in the State of Penang.

4. **INTERPRETATION**

- 4.1 The expression “Vendor” and “Purchaser” includes their nominees, persons deriving title under them respectively, personal representatives permitted successors-in-title and assigns of the said Vendor and the said Purchaser, as the case may be.
- 4.2 Where the Vendor or the Purchaser are two or more persons, warranties, representations, agreements, covenants and obligations expressed or implied to be made by or with such party are deemed to be made by or with such persons, jointly and severally.
- 4.3 Words importing one gender include all other genders and words importing the singular include the plural and vice versa.
- 4.4 The expression “month” means calendar month.
- 4.5 The expression “person” or “persons” means natural persons, any body of persons, company, corporation, firm or partnership, corporate or incorporate.
- 4.6 The expression “party” or “parties” means the said Vendor or said Purchaser or the said Vendor and said Purchaser respectively.
- 4.7 References to “notices” or “notice” means a notice in writing signed by or on behalf of the person making or giving the notice.
- 4.8 References to “statute” or “statutes” means and includes any Act of Parliament, Ordinance, Enactment or any other written law and includes any statutory extension or modification, amendment or re-enactment of such statute and any regulation, orders or bye-laws made under such statute or statutes.
- 4.9 Any obligation by a party not to do an act or thing shall be deemed to include an obligation to use all reasonable endeavours not to permit or suffer such act or thing to be done by another person.

5. **NOW IT IS HEREBY AGREED** as follows:-

5.1 **AGREEMENT TO SELL AND TO PURCHASE**

The Vendor shall sell and the Purchaser shall purchase the said Property free from all encumbrances and with vacant possession at the Purchase Price subject to and upon the terms and conditions hereinafter appearing.

5.2 **CONDITION PRECEDENT**

The sale and purchase of the said Property under this Agreement shall be conditional upon the following conditions being fulfilled before the Completion Date: -

- (a) the Vendor having a good registrable and marketable title to the said Property;
- (b) the said Property being free from all encumbrances whatsoever as at the Completion Date but subject to all conditions of title and restrictions in interest contained in the document of title;
- (c) the production and delivery by the Vendor to the Purchaser of the issue document of title pertaining to the said Property at the Completion Date;
- (d) vacant possession to the said Property being delivered at the Completion Date;
- (e) the written sanction of the State Authority for the transfer of the said Property by the Vendor to the Purchaser being obtained pursuant to clause 13 of this Agreement; and
- (f) the rectification and perfection of any defect in the document of title of the said Property which shall be at the expense of the Vendor.

5.3 The Purchaser shall be entitled, at its own discretion, to waive any of the conditions precedents set out in Clause 5.2 above.

6. **PURCHASER'S OBLIGATIONS**

6.1 **The Purchase Price**

The Purchase Price shall be paid by the Purchaser in the following manner: -

- 6.1:1 upon the execution of this Agreement the Purchaser shall pay the Deposit to the Vendor (the receipt whereof the Vendor hereby acknowledges).
- 6.1:2 on or before the Completion Date the Purchaser shall pay the Balance in the following manner: -
 - 6.1:2.1 the RPGT Sum, to the Vendor's Solicitors, as stakeholders in accordance with Clause 8; and
 - 6.1:2.2 the Final Balance, to the Purchaser's Solicitors as stakeholders pursuant to clause 9.2:2.

6.2 **Loan**

6.2:1 Notwithstanding clause 9.2 in the event that the Purchaser intends to obtain a loan from a bank or financial institution (such bank or financial institution to be hereinafter referred to as “the Financier”) to finance the purchase of the said Property (hereinafter referred to as “the Loan”), then subject to the Purchaser having fully paid to the Vendor or the Vendor’s Solicitors, the sum representing the difference between the Balance and the amount of the Loan granted by the Financier on the Balance, if any; the Vendor shall, upon request by the Purchaser or the Purchaser’s Solicitors, deliver or cause to be delivered to the Purchaser’s Solicitors the following documents:-

- (a) the issue document of title to the said Property;
- (b) all other necessary documents to effect the registration of the Memorandum of Transfer in favour of the Purchaser or its nominee(s) or assignee(s) in respect of the said Property free from encumbrances (including any Withdrawal of Private Caveat and the letter acknowledging receipt by the Director-General of Inland Revenue of the submission of Form CKHT 1 by the Vendor in respect of the sale of the said Property).

The Purchaser’s Solicitors are hereby authorised to present the Memorandum of Transfer together with the aforesaid documents to effect such registration of the Memorandum of Transfer. After fourteen (14) days from the presentation of the Memorandum of Transfer for registration and subject to the Vendor furnishing a written undertaking in favour of the Financier to refund the Loan in the event the Memorandum of Transfer or the Charge of the said Property in favour of the Financier cannot be registered, the Purchaser shall cause the solicitors acting for the Financier to remit to the Vendor or the Vendor’s Solicitors, the amount of the Loan being the remainder of the Purchase Price.

6.2:2 If the said Property is subject to a Charge, the Purchaser shall cause the Financier to release such portion of the Loan (the Redemption Sum) as may be necessary to secure the discharge of charge and the Vendor shall deliver or cause to be delivered to the Purchaser the issue document of title and all other documents as may be necessary to effect the registration of the Memorandum of Transfer in favour of the said Purchaser or its nominees/assignees. After fourteen (14) days from the presentation of the Memorandum of Transfer for registration and subject to the Vendor and the earlier chargee furnishing a written undertaking in favour of the Financier to refund the Loan in the event the Memorandum of Transfer or the Charge of the said Property in favour of the Financier cannot be registered, the Purchaser shall cause the balance amount of the Loan being the remainder of the Purchase Price to be remitted to the Vendor or the Vendor’s Solicitors.

6.3 Outgoings

The Purchaser shall be liable to pay any and all such increases in outgoings or impositions including quit rent, rates and assessments payable in respect of the said Property from the Completion Date.

7. THE VENDOR’S OBLIGATIONS

7.1 Delivery of Documents

7.1:1 The Vendor shall, upon execution hereof, deliver to the Purchaser's Solicitors the following documents:-

- (a) certified true copy of the Issue Document of Title to the said Property, the quit rent and assessment receipt of the said Property for the current year;
- (b) a valid and registrable Memorandum of Transfer of the said Property duly executed by the Vendor in favour of the Purchaser or its nominee(s) or assignee(s);
- (c) six (6) duly executed Stamp Duty Information Forms (Form PDS-15) in respect of the said Property;
- (d) certified true copies of the Memorandum and Articles of Association of the Vendor and the Vendor's Form 24, 44 and 49 and Annual Return;
- (e) two (2) certified true copies of the resolutions of the Directors and shareholders of the Vendor at a Director's meeting and at a general meeting which are in full force and effect authorising the sale of the said Property by the Vendor to the Purchaser on the terms and conditions of this Agreement.

PROVIDED ALWAYS THAT the Purchaser's Solicitors shall not part deal or transact with the Memorandum of Transfer in any manner whatsoever or present the same for registration save for submitting the same for stamp duty adjudication and stamping and/or to obtain release of the Loan.

7.2 The Vendor warrants and undertakes as follows: -

- (a) that it has not done and shall not do in or near the said Property any act or thing by reason of which the Purchaser may under any statute incur have imposed upon it or become liable to pay any penalty damages compensation costs charges or expenses;
- (b) that all rates, taxes, assessments, duties, charges, impositions and other outgoings charged, assessed or imposed on the said Property or upon the owner or occupier of the said Property have been paid up to date;
- (c) that there are no outstanding professional or consultancy fees, charges, disbursements and costs whatsoever due to consultants in respect of the said Property and jointly and severally undertake to indemnify the Purchaser against all claims, damages, losses, actions, demands and proceedings whatsoever in respect of the same;
- (d) before Completion Date, the Vendor shall discharge all consultants (if any) employed by it in respect of the said Property and shall procure letters of release from the said consultants;

- (e) that the Vendor has not made any planning permission application and/or submitted any building plans in respect of the development of the said property;
- (f) that the said Property may be lawfully used under the Town and Country Planning Act 1976 and is not within any conservation area nor subject to any conservation guidelines issued by a competent authority exercising powers under statute or any other written law;
- (g) that as at the date of this Agreement until payment of the Balance Purchase Price there does not exist any party with any interest in the said Property save for the Vendor;
- (h) during the continuance of this Agreement and before the completion of the sale and purchase herein, the Vendor shall not sell transfer assign dispose of or otherwise deal with the said Property or create any charge or encumbrance or let or lease the said Property or otherwise part with possession of the said Property or any part thereof;
- (i) that the State Authority has sanctioned the said Property for the Permitted User;
- (j) that the Vendor is not in breach of any of the terms of the Sale and Purchase Agreement dated 17th July 1991 between the Penang Development Corporation (“PDC”) and the Vendor in respect of the said Property and the Vendor has not received any notices from PDC or any other authorities in respect of any breach of the said Sale and Purchase Agreement or otherwise.

8. **REAL PROPERTY GAINS TAX**

- 8.1 The parties hereto shall duly submit to the Director General of Inland Revenue, West Malaysia, the notification forms prescribed under Real Property Gains Tax Act 1976 within the prescribed time in respect of the sale and purchase of the said Property and furnish all such information, particulars and documents as may be required by the Director General in connection therewith. The Vendor shall forward a copy of acknowledgment of such submission to the Purchaser’s Solicitors forthwith upon receipt.
- 8.2 The Vendor’s Solicitors are hereby authorised to pay the whole or part of the RPGT Sum to the Director - General of Inland Revenue towards payment of any tax payable by the Vendor under the Real Property Gains Tax Act 1976 in respect of the sale of the Property by the Vendor to the Purchaser hereunder.
- 8.3 After the Certificate of Clearance issued by the Director - General of Inland Revenue in respect of the sale of the said Property by the Vendor to the Purchaser shall have been received by the Vendor’s Solicitors, the RPGT Sum or such part thereof (if any) as shall remain after deduction of any payment made to the said Director - General pursuant to clause 8.2 shall be released and paid over by the Vendor’s Solicitors to the Vendor.
- 8.4 The Vendor shall indemnify and keep the Purchaser indemnified against all and any claims that may be made in respect of the Real Property Gain Tax Act 1976 concerning the sale of the said Property from the Vendor to the Purchaser. In the event the Vendor fails or delays in submitting the Form CKHT 1 in respect of the Real Property Gains Tax Act 1976 resulting in a penalty being imposed on the late stamping of the Memorandum of Transfer, the Vendor shall be liable for any penalty incurred.

9. **COMPLETION**

- 9.1 It is hereby agreed that the Completion Date shall be the date of full payment of the Balance which is to be within forty five (45) days from the date of receipt by the Purchaser's Solicitors of the State Authority Consent.
- 9.2 Completion shall take place at the office of the Purchaser on the Completion Date, where and when the following shall be delivered and accomplished: -
- 9.2:1 the Vendor shall cause to be delivered to the Purchaser's Solicitors the issue document of title to the said Property as well as all other documents necessary to enable the Purchaser to register the transfer of the said Property (including any withdrawal of Private Caveat and the letter acknowledging receipt by the Director - General of Inland Revenue of the submission of Form CKHT 1 by the Vendor in respect of the sale of the said Property);
 - 9.2:2 the Purchaser shall pay the Final Balance to the Purchaser's Solicitors as stakeholders to be released to the Vendor after seven (7) days of obtaining the documents referred to in clause 9.2:1;
 - 9.2:3 the Purchaser shall pay the RPGT Sum to the Vendor's Solicitors as stakeholders in accordance with clause 8.

10. **POSSESSION**

Vacant possession of the said Property shall be delivered to the Purchaser on the Completion Date.

11. **RIGHTS OF RESCISSION AND TERMINATION**

- 11.1 The Vendor may by service of a notice on the Purchaser rescind this Agreement if the Purchaser fails to pay the Balance in the manner and within the time stipulated in this Agreement.
- 11.2 At any time before the registration of the Purchaser as the registered proprietor of the said Property and without prejudice to any other rights and remedies of the Purchaser, the Purchaser may by service of a notice on the Vendor rescind this Agreement in the event: -
- (a) a statutory provision prohibits, restricts or imposes adverse conditions upon the use of the said Property;
 - (b) if all or any of the searches and supplementary enquiries submitted to the Majlis Perbandaran and/or the Land Office/Registry reveal matters adverse to the said Property, then in such an event, the Purchaser shall serve a notice stating matters adverse to the said Property;
 - (c) the Vendor enters into any composition or arrangement with its creditors or enter into liquidation whether compulsory or voluntary or if any distress or execution be levied upon the Vendor or the Vendor's goods or in the event a petition for winding-up is presented or a winding-up order is made against the Vendor;
 - (d) the Vendor breaches any provisions under this Agreement and/or if the recitals to this Agreement are untrue or incorrect;

- (e) pursuant to clause 13.4 herein, the State Authority Approval is not obtained or fulfilled or considered not to have been obtained or fulfilled within six (6) months from the date of this Agreement;

whereupon service of such notice by the Vendor/Purchaser (as the case may be), this Agreement shall be determined, terminated or rescinded and the provisions of clause 12 shall apply.

12. **RESCISSION AND TERMINATION CONSEQUENCES**

12.1 In the event this Agreement is terminated: -

- (a) pursuant to clause 11.1, the Vendor shall be entitled to rescind or terminate this Agreement and the Deposit shall be forfeited absolutely;
- (b) pursuant to clause 11.2:
 - (aa) the Purchaser shall be entitled to rescind or terminate this Agreement and to a refund of any part of the Purchase Price paid to the Vendor;
 - (bb) the Vendor shall within seven (7) working days of such rescission or termination taking effect refund the Purchaser (and the Financier, and the case may be) any part of the Purchase Price paid to the Vendor, otherwise the Vendor shall pay interest to the Purchaser at the rate of ten per centum (10%) per annum on the said sum from the said seventh day until the date of actual payment.

12.2 Subject to clause 12.1(b)(bb) being complied with by the Vendor and further to clause 12.1, the Purchaser or the Purchaser's Solicitors shall return to the Vendor the Memorandum of Transfer and the issue documents of title to the said Property and any other documents forwarded to the Purchaser/Purchaser's Solicitors as requested back by the Vendor.

12.3 Subject to clause 12.1 and 12.2, this Agreement is cancelled and shall be of no further effect, and neither party shall have any claim against the other whether arising out of this Agreement or otherwise.

13. **APPROVAL OF STATE AUTHORITY**

13.1 The Purchaser shall apply for the approval of the State Authority for the sale and purchase herein (hereinafter referred to as "the State Authority Application") and the Purchaser shall use its best endeavour to obtain the aforesaid approval from the State Authority.

13.2 The Vendor shall at the request of the Purchaser within five (5) days supply to the Purchaser all documents and information that may be required for the State Authority Application.

13.3 It is hereby agreed between the parties that if the State Authority Application is approved subject to any conditions, modifications and/or variations of any nature whatsoever (hereinafter referred to as "the Approval Conditions") which may be materially adverse to the Purchaser, the Purchaser shall within fourteen (14) days of being notified of the Approval Conditions give written notice to the Vendor of its objections to the same. The Purchaser shall be entitled to appeal to the State Authority within twenty-one (21) days of being notified of the Approval Conditions. In the event that the appeal to the State Authority is rejected or should the application be re-approved with amended conditions (hereinafter referred to as "the

Amended Conditions”) which are not acceptable to the Purchaser, the Purchaser shall within fourteen (14) days of being notified of the Amended Conditions give written notice to the Vendor of its objections to the same, then the Purchaser shall be entitled to rescind or terminate this Agreement and to a refund of the Deposit less half of all fees and expenses paid to the PDC and the State Authority relating to the State Authority Application. The Vendor shall accordingly furnish to the Purchaser, satisfactory receipts and documentation for the said fees and expenses.

- 13.4 In the event that the State Authority Approval is not obtained or fulfilled or considered not to have been obtained or fulfilled, other than in accordance with clause 13.3, then this Agreement shall be rendered null and void and neither party herein shall thereafter have any further claims or rights hereunder and the provisions of clause 11.2(e) and 12 herein shall apply.

14. **APPORTIONMENT OF OUTGOINGS**

All quit rent and rates and assessments and other outgoings (if any) in respect of the said Property shall be apportioned between the parties hereto from the Completion Date and any sum or sums due by virtue of such apportionment shall be paid or allowed as the case may be PROVIDED ALWAYS that the Vendor shall indemnify the Purchaser in respect of any loss or penalty imposed by reason of any late or non payment of such outgoings for any period prior to the Completion Date.

15. **NOTICES**

Notices to the Vendor and the Purchaser as the case may be shall (without prejudice to any other means of service) be deemed served on the Vendor or the Purchaser, if delivered or sent by hand or prepaid A.R. Registered Post to the address stated to be the Vendor’s or the Purchaser’s in Clause 1. Notices by facsimile transmission shall be deemed served upon receipt of acknowledgment by the recipient.

16. **WAIVER**

16.1 No right under this Agreement shall be deemed waived, unless made or confirmed in writing and signed by or on behalf of the party waiving such right.

16.2 A waiver by a party shall be without prejudice to its rights or remedies in respect of any other breach of this Agreement by either of the parties.

16.3 Any failure by a party to enforce any of the provisions of this Agreement or any forbearance, delay or indulgence granted by that party to the other party shall not be construed as a waiver of that party’s rights under this Agreement.

17. **SEVERANCE**

If any provision of this Agreement is declared by any judicial or other competent authority to be void voidable illegal or otherwise unenforceable, the remaining provisions of this Agreement shall remain in full force and effect.

18. **FORCE MAJEURE**

In the event of national emergency war prohibitive governmental regulation or if any other cause beyond the reasonable control of the parties hereto or either of them renders the performance of this Agreement impossible the Purchaser shall be entitled at any time before the Completion Date to terminate this Agreement by giving notice in writing to the Vendor and upon the service of such notice on the Vendor this Agreement shall be terminated and the Deposit shall forthwith and in any

case within seven (7) days after the service of such notice be refunded to the Purchaser but without any interest costs or compensation unless the Vendor shall fail to refund the Deposit within the said period of seven (7) days in which event the Deposit shall be refunded with interest thereon at the rate of ten (10) per centum per annum calculated from the date of the service of such notice up to the date of actual repayment and the Memorandum of Transfer shall be cancelled and declared null and void and save for the refund the Deposit and interest (if any) and the cancellation of the Memorandum of Transfer neither of the parties hereto shall have any claim against the other under or in respect of this Agreement or otherwise howsoever (save the removal or withdrawal of any Private Caveat lodged by the Purchaser).

19. **COSTS AND STAMP DUTIES**

Each party shall pay its own solicitors' and disbursements fees of and incidental to the negotiation, preparation and completion of this Agreement. The Purchaser shall pay the stamp duty adjudication fees (where applicable) on the original and three (3) counterparts and registration fees with respect to this Agreement and the transfer of the said Property to the Purchaser. The Vendor agrees to pay the State Authority Consent fees, any charges/fees/levy and all other forms of payment imposed by PDC or any other competent authorities pertaining to the sale and purchase of the said Property herein, as well as any additional stamp duty and/or penalty that may be imposed by the Collector of Stamp Duty or such other competent authority in respect of this Agreement and/or the Memorandum of Transfer if such duty/penalty is payable due to the Vendor's default.

20. **PRIVATE CAVEAT**

Upon the execution of this Agreement, the Purchaser shall be entitled to file a private caveat against the said Property PROVIDED THAT the Purchaser shall at the same time execute in escrow the Notice of Withdrawal of Private Caveat in the form prescribed by the National Land Code 1965 which Notice shall be deposited with the Purchaser's Solicitors for safekeeping. In the event this Agreement is terminated for any reasons whatsoever the Purchaser's Solicitors are hereby authorised to forthwith present such Notice at the relevant Land Registry/Office to effect the Withdrawal of the Private Caveat.

21. **GOVERNMENT ACQUISITION**

- 21.1 The Vendor hereby warrants and undertakes to the Purchaser that as at the date of execution of this Agreement the Vendor has no knowledge nor any reason to believe that the said Property or any part thereof has been acquired or is subject to acquisition or intended acquisition by any governmental statutory urban municipal or other authority or that any advertisement in the Government Gazette of such intention has been published pursuant to either Section 4 or Section 8 of the Land Acquisition Act, 1960.
- 21.2 In the event that the said Property or any part thereof shall be subject to acquisition under Sections 4 or 8 of the Land Acquisition Act, 1960 or other legislation in Malaysia, before the presentation of the Memorandum of Transfer to the relevant authority for registration, the Vendor shall immediately give notice thereof to the Purchaser of the Vendor's receipt thereof.
- 21.3 The Purchaser shall within seven (7) days after the receipt of the notice from the Vendor, but in any event before the presentation of the Memorandum of Transfer to the relevant authority for registration, notify the Vendor in writing of the Purchaser's decision whether to determine this Agreement, or to proceed with the purchase herein subject to a mutually agreed adjustment in the Purchase Price.
- 21.4 If the Purchaser decides to proceed with the purchase, the Vendor shall give notice to the acquiring authority of the Purchaser's interest in the said Property and the Purchaser shall be

entitled to all compensation payable in respect of such acquisition and PROVIDED ALWAYS THAT the Purchaser shall have paid the adjusted Purchase Price to the Vendor. The Purchaser shall be entitled to appear and to attend to enquiries or hearings or appeals or negotiations or in making claims in respect of the said compensation either in the name of the Vendor or the Purchaser or to join in with the Vendor and all compensation monies received by the Vendor shall be held in trust for the Purchaser and shall be paid over to the Purchaser forthwith upon demand being made by the Purchaser.

- 21.5 If the Purchaser decides not to proceed with the purchase the Vendor shall refund the Deposit and all monies paid to account of the Purchase Price within seven (7) days without interests, costs, damages or whatsoever compensation otherwise the Vendor shall pay interest to the Purchaser at the rate of ten per centum (10%) per annum on the said sum from the eighth (8th) day until the date actual payment.

22. **DEVELOPMENT AREA**

If the said Property or any part or parts thereof shall be within an area declared (whether before, on or after the date of this Agreement) by the proper local planning authority to be a development area pursuant to Section 38 of the Town and Country Planning Act, 1976 the Purchaser may by notice in writing served on the Vendor or the Vendor's Solicitors at any time prior to the payment of the Balance rescind the sale and purchase of the said Property and upon the service of such notice the contract for the sale and purchase of the said Property hereby made shall be rescinded accordingly and the Deposit shall forthwith and in any case within seven (7) days after the service of such notice be refunded to the Purchaser but without any interest costs or compensation unless the Vendor shall fail to refund the Deposit within the said period of seven (7) days in which event the Deposit shall be refunded with interest thereon at the rate of ten (10) per centum per annum calculated from the date of the service of such notice up to the date of actual repayment and the Memorandum of Transfer shall be cancelled and declared null and void and the Private Caveat (if any) lodged by the Purchaser shall forthwith be withdrawn by the Purchaser at its own cost and expense whereupon this Agreement shall become null and void and save for the refund of the Deposit and interest (if any) and the cancellation of the Memorandum of Transfer neither of the parties hereto shall have any claim against the other under or in respect of this Agreement or otherwise howsoever.

23. **TRANSFER REJECTED FROM REGISTRATION**

Further to clauses 6.2 and 9.2, in the event that the adjudicated and stamped Memorandum of Transfer of the said Property together with the issue documents of title of the said Property shall be rejected from registration by the registering authority for reasons not attributable to the Purchaser or due to any defect in the title the Vendor shall within seven (7) days of such rejection refund to the Purchaser and the Financier accordingly all sums of money paid over an account of the Purchase Price ("the Sums Paid Over") (including the RPGT Sum if the same shall have been paid to the Director - General of Inland Revenue). If the Sums Paid Over is not refunded within the said seven (7) days, the Vendor shall pay interest to the Purchaser at the rate of ten per centum (10%) per annum on the Sums Paid Over from the eighth (8th) day until the date of actual payment. Upon receipt of the Sums Paid Over, by the Purchaser and the Financier the Purchaser shall withdraw the private caveat lodged by the Purchaser (if any) and forward to the Vendor's Solicitors the issue document of title to the said Property after its return by the relevant land office registry, and thereupon this Agreement shall terminate and become null and void.

24. **MISCELLANEOUS**

24.1 Time

Time shall be of the essence in this Agreement.

24.2 Supersedes Prior Agreements

This Agreement supersedes any prior agreements between the parties, whether written or oral, and any such prior agreements are cancelled as at the date of this Agreement but without prejudice to any rights which have already accrued to either of the parties.

24.3 Change of Address

Each party shall serve notice on the other of the change or acquisition of any address and of any telephone, telex, facsimile, electronic mail or similar number at the earliest possible opportunity but in any event within forty eight (48) hours of such change or acquisition.

24.4 Rights Cumulative

All rights granted to either of the parties shall be cumulative and no exercise by either of the parties of any right under this Agreement shall restrict or prejudice the exercise of any other right granted by this Agreement or otherwise available to it.

24.5 Headings

The headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

24.6 Binding Effect of Agreement

This Agreement shall be binding upon the parties hereto, their respective heirs personal representatives successors in title liquidators and assigns.

24.7 Specific Performance

The parties hereto shall be entitled to specific performance of this Agreement Provided that they have respectively complied with all the terms and conditions and obligations herein contained.

24.8 Schedules

The Schedules referred to in this Agreement shall form part of this Agreement.

24.9 Written Communications

The Vendor shall within two (2) working days of the receipt of a written communication relating to the said Property from a competent authority exercising powers under statute or any other written law, or before registration of the Memorandum of Transfer in favor of the Purchaser or its nominee(s)/assignee(s) in respect of the said Property (whichever is the earlier) deliver to the Purchaser a photocopy of such communication.

24.10 License To Enter The Said Property

As from the date of this Agreement, the Vendor shall permit the Purchaser or its contractors surveyors architects workmen or agents to enter upon the said Property to carry out survey, take measurements, plant pegs and boundary stones and such other work as the Purchaser shall consider to be necessary for or in connection with the

Purchaser's proposed development of the said Property PROVIDED THAT the Purchaser shall indemnify and keep the Vendor fully indemnified against all actions and proceedings for personal injury, death or damages to property arising from the negligence of the Purchaser or its contractors, surveyors, architects, workmen, agents or duly authorised representatives.

24.11 Execution of Plans

The Vendor shall within fourteen (14) days of the request of the Purchaser, execute all such plans and documents as may be reasonable and necessary to enable the Purchaser to apply for planning permission and building plans in respect of the development of the said Property Provided that all costs fees disbursements premiums and expenses whatsoever in connection with the application for the planning permission and the building plans shall be borne fully by the Purchaser and the Purchaser hereby undertakes to compensate and indemnify and keep the Vendor fully indemnified against all claims, demands, actions, proceedings, penalties, increased rates and assessments, premiums, losses and damages whatsoever arising out of the execution of the plans and documents by the Vendor.

24.12 Assignment

This Agreement and all rights in it may be assigned or transferred by the Purchaser and the Purchaser or its assignee or transferee or nominee shall be entitled to specific performance of this Agreement.

24.13 Working Day

Where the last day for doing any act or thing or taking any step would but for this provision be a Sunday or a Holiday, such last day shall instead be the next following working day.

24.14 Misdescription of Property

(a) The parties hereto mutually agree that the said Property comprise of an area of 4.66646 acres and if upon survey whether before or after Completion, the said area shall be different from the agreed area herein, the Purchase Price shall be recalculated and readjusted as follows: -

(no. of acres X 43560 X RM16.70)

(b) Any payments/refunds due from the calculations in clause 24.14(a) above shall be settled on the Completion Date or within fourteen (14) days from the date of written notice (whichever is later).

IN WITNESS whereof the parties have on the date above referred to affixed their respective Common Seals

The Common Seal of the Vendor is)
herein affixed in the presence)
of: -)

/s/ Chang Chuen Kwan

/s/ Chow Ching Hua

Director
Chang Chuen Kwan

Secretary
Chow Ching Hua (LS 003227)

The Common Seal of the Purchaser)
is herein affixed in the)
presence of: -)

/s/ Walter Davis Delauder

/s/ Hsiang De-Way

Director
Walter Davis Delauder

Director/Secretary
Hsiang De-Way

Subsidiaries

- A. ASE Holding Limited, a corporation organized under the laws of Bermuda, and its subsidiaries:
 - (1) ASEP Realty Corporation, a corporation organized under the laws of the Philippines;
 - (2) ASE Holding Electronics (Philippines) Inc., a corporation organized under the laws of the Philippines;
 - (3) ASE Holding (Singapore) Pte. Limited, a corporation organized under the laws of Singapore; and
 - (4) ASE Investment Inc. (Labuan), a holding company organized under the laws of Malaysia.
- B. ASE Marketing Services Ltd., a corporation organized under the laws of Hong Kong.
- C. ASE Investment Inc., a corporation organized under the laws of the Republic of China.
- D. ASE Capital Inc., a corporation organized under the laws of the Republic of China.
- E. ASE (Chung Li) Inc., a corporation organized under the laws of the Republic of China.
- F. ASE (Korea) Inc., a corporation organized under the laws of Korea.
- G. ASE Technologies, Inc., a corporation organized under the laws of the Republic of China, and its subsidiaries ASE Tech. Inc. and Transmonde Inc., both organized under the laws of the state of California, U.S.A.
- H. J&R Holding Limited, and its wholly-owned subsidiary J&R Industrial Inc., both organized under the laws of Bermuda.. J&R Holding Limited has a subsidiary, ASE Test Limited.
 - (1) ASE Test Limited has four wholly-owned subsidiaries:
 - (a) ASE Test Inc., a corporation organized under the laws of the Republic of China;
 - (b) ASE Test Holdings Ltd, a corporation organized under the laws of the Cayman Islands, and its majority owned subsidiary, ISE Labs, Inc., a corporation organized under the laws of the state of California, U.S.A. ISE Labs, Inc. has four subsidiaries:
 - (i) ISE Labs Hong Kong Limited, a corporation organized under the laws of Hong Kong.
 - (ii) ISE Labs Singapore Pte Limited, a corporation organized under the laws of Singapore.
 - (iii) ISE Technology, Inc., a corporation organized under the laws of California.
 - (iv) Digital Testing Services Inc., a corporation organized under the laws of California.

- (c) ASE Test Finance Limited, a corporation organized under the laws of Mauritius; and
- (d) ASE Holding (Singapore) PTE Ltd., a corporation organized under the laws of Singapore, and its wholly owned subsidiary, ASE Electronics (M) Sdn Bhd, Inc., a corporation organized under the laws of Malaysia.

I. Advanced Semiconductor Engineering, Inc. has a controlling interest in the following companies:

- (1) ASE Material Inc., a corporation organized under the laws of the Republic of China; and
- (2) Universal Scientific Industrial Co. Ltd., a corporation organized under the laws of the Republic of China.