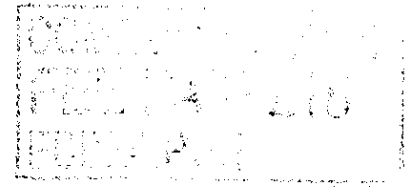




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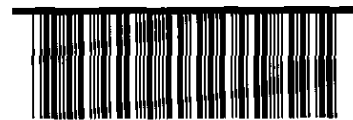
勤業



Mosel Vitelic Inc.

Financial Statements as of December 31, 2000 and 1999

Together with Independent Auditors' Report



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ARTHUR ANDERSEN

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

March 27, 2001

The Board of Directors and the Stockholders
Mosel Vitelic Inc.

We have audited the accompanying balance sheets of Mosel Vitelic Inc. as of December 31, 2000 and 1999, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Ultima Electronics Corp. as of and for the year ended December 31, 2000, the investment in which is accounted for in the accompanying financial statement using the equity method of accounting. We also did not audit the financial statements of Sun-Fund Securities Ltd., Land Mark Venture Capital Corp., Ber-Der Investment Co., Ltd., Sun-Fund Security Investment Advisory Ltd. and Mou Jui Management Consulting Co., Ltd., as of and for the year ended December 31, 2000, the investment in which is accounted for using the equity method of accounting by Mou-Fu Investment Co., Ltd. (Mou-Fu). Also, the investment in Mou-Fu is accounted for by Dai-Gin Investment Co. Ltd., using the equity method of accounting. The investment in Dai-Gin Investment Co. Ltd., in turn, is accounted for in the accompanying financial statements using the equity method of accounting. The carrying values of those investments amounted to \$1,693,280 as of December 31, 2000 and the equity in their net loss amounted to \$118,738. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it related to the amounts included for those investee companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Mosel Vitelic Inc. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, in conformity with accounting principles generally accepted in the Republic of China.

T N Soong & Co

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

MOSEL VITELIC INC.

BALANCE SHEETS

December 31, 2000 and 1999

(In Thousands of New Taiwan Dollars, Except Par Value)

	2000		1999		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Notes 2 and 3)	\$ 3,156,323	4	\$ 4,276,272	6	\$ 9,662	-	\$ 1,507,237	2
Pledged time deposits (Notes 3, 20 and 22)	9,824,497	13	2,227,780	3	-	-	175,000	-
Investments in mutual funds - net (Notes 2 and 4)	652,928	1	2,767,384	4	-	-	-	-
Notes receivable	19,356	-	194,189	-	-	-	-	-
Accounts receivable (Notes 2, 5 and 19):								
Related parties								
Third party customers - net	1,870,403	3	1,518,262	2	1,006,003	1	1,223,438	2
Inventories - net (Notes 2 and 6)	1,386,214	2	2,958,044	5	1,835,674	3	4,583,722	7
Deferred income taxes (Notes 2 and 18)	4,466,352	6	5,212,643	8	1,204,462	2	445,556	1
Forward exchange receivables (Notes 2 and 23)	466,000	1	1,881,429	3	351,611	-	267,258	-
Prepaid expenses and other current assets (Note 19)	53,694	-	69,032	-	-	-	-	-
Total Current Assets	382,365	-	305,186	-	858,932	1	1,775,259	3
	22,278,132	30	21,410,221	31	3,405,307	5	2,270,926	3
					608,038	1	829,929	1
					9,366,689	13	13,028,325	19
INVESTMENTS IN SHARES OF STOCK (Notes 2, 7, 20 and 22)								
	27,827,469	37	23,836,833	35				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 19 and 20)								
Cost								
Machinery and equipment	15,482,120	21	15,591,235	23	406,650	-	2,633,386	4
Buildings and auxiliary equipment	3,018,127	4	3,014,028	4	13,997,943	19	9,046,526	13
Furniture and fixtures	331,809	-	308,928	1	3,612,500	5	3,842,500	6
Tooling	42,306	-	36,641	-	2,009,610	3	165,139	-
Transportation equipment	7,516	-	7,995	-	20,026,703	27	15,687,551	23
Leasehold improvements	4,698	-	2,694	-				
Total cost	18,886,576	25	18,961,521	28	201,941	-	400,626	-
Accumulated depreciation	(12,360,789)	(16)	(9,794,326)	(14)	34,347	-	28,643	-
Construction in progress and advances on acquisitions of equipment	168,959	-	214,348	-	236,288	-	479,269	-
Net Property, Plant and Equipment	6,694,746	9	9,381,543	14				
					29,629,680	40	29,145,145	42
INTANGIBLE ASSETS - NET (Notes 2 and 9)								
	11,136,628	15	8,335,084	12				
OTHER ASSETS								
Deferred income taxes (Notes 2 and 18)	4,427,631	6	2,610,442	4				
Non-operating properties - net (Notes 2, 10 and 20)	1,519,516	2	1,675,159	2	29,265,470	39	24,919,200	36
Refundable deposits	795,055	1	950,605	1				
Pledged time deposits (Notes 3, 20, 22 and 23)	165,400	-	157,275	-	6,327,162	8	6,327,162	9
Properties held for sale - net	17,069	-	1,993	-	4,230,942	6	1,474,333	2
Forward exchange receivables (Notes 2 and 23)	14,905	-	359,661	1	2,735,305	4	2,963,290	5
Total Other Assets	6,939,576	9	5,755,135	8				
					388,968	-	-	-
					841	-	-	-
					2,097,777	3	3,890,527	6
					200,406	-	(841)	-
					45,246,871	60	39,573,671	58
TOTAL ASSETS	\$74,876,551	100	\$68,718,816	100	\$74,876,551	100	\$68,718,816	100
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES								
Bank loans (Notes 11 and 20)								
Commercial paper (Note 12)								
Notes and accounts payable								
Related parties (Note 19)								
Third party suppliers								
Royalties payable (Note 9)								
Deferred intercompany profit (Note 2)								
Excess of cumulative share in losses over the acquisition costs of investments (Notes 2 and 7)								
Current portion of long-term liabilities (Notes 2, 13, 14 and 20)								
Accrued expenses and other current liabilities (Note 19)								
Total Current Liabilities								
LONG-TERM LIABILITIES								
Bank loans (Notes 13 and 20)								
Bonds payable (Notes 2 and 14)								
Samurai bonds payable (Note 15)								
Royalties payable (Note 9)								
Total Long-Term Liabilities								
OTHER LIABILITIES								
Deferred intercompany profit (Note 2)								
Accrued pension cost (Notes 2 and 16)								
Total Other Liabilities								
Total Liabilities								
STOCKHOLDERS' EQUITY (Note 17)								
Capital stock - \$10 par value								
Authorized - 3,880,000 thousand shares in 2000 and 3,200,000 thousand shares in 1999								
Issued - 2,926,547 thousand shares in 2000 and 2,491,920 thousand shares in 1999								
Capital surplus:								
Paid-in capital in excess of par value								
Arising from conversion of bonds (Note 2)								
Gain on sale of property, plant and equipment and other (Note 2)								
Retained earnings:								
Appropriated as legal reserve								
Appropriated as special reserve								
Unappropriated earnings								
Cumulative translation adjustments (Note 2)								
Total Stockholders' Equity								
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY								

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

(With T N Soong & Co report dated March 27, 2001)

MOSEL VITELIC INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999

(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	<u>2000</u>		<u>1999</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
PRODUCT SALES	\$27,182,528		\$20,699,088	
SALES RETURNS AND DISCOUNTS	(<u>310,455</u>)		(<u>987,446</u>)	
NET PRODUCT SALES (Notes 2 and 19)	26,872,073		19,711,642	
TECHNOLOGY SERVICE REVENUE (Note 19)	<u>21,269</u>		<u>123,468</u>	
TOTAL REVENUES	26,893,342	100	19,835,110	100
COST OF REVENUES (Note 19)	23,939,846	89	19,387,880	98
REALIZED (UNREALIZED) INTERCOMPANY TRANSACTION - NET (Note 2)	(<u>112,438</u>)	-	<u>56,390</u>	<u>1</u>
GROSS PROFIT	<u>2,841,058</u>	<u>11</u>	<u>503,620</u>	<u>3</u>
OPERATING EXPENSES				
Research and development (Notes 2 and 19)	3,487,932	13	2,953,643	15
Administrative	552,308	2	527,186	3
Selling (Note 19)	<u>227,624</u>	<u>1</u>	<u>664,713</u>	<u>3</u>
Total Operating Expenses	<u>4,267,864</u>	<u>16</u>	<u>4,145,542</u>	<u>21</u>
LOSSES FROM OPERATIONS	(<u>1,426,806</u>)	(<u>5</u>)	(<u>3,641,922</u>)	(<u>18</u>)
NON-OPERATING INCOME				
Equity in net income of investee companies - net (Notes 2 and 7)	3,193,150	12	2,329,301	12
Gain on disposal of investments in mutual funds and investments in shares of stock (Note 2)	824,967	3	6,523,902	33
Interest	648,852	3	191,761	1
Insurance proceeds	181,955	1	-	-
Gain on disposal of property, plant and equipment, and non-operating assets (Note 2)	90,013	-	147,837	1
Rent (Note 19)	55,584	-	78,652	-
Reversal of allowance for losses on inventories (Notes 2 and 6)	9,630	-	-	-
Reversal of allowance for losses on investments in mutual funds (Notes 2 and 4)	-	-	71,720	-
Other (Note 19)	<u>111,597</u>	<u>-</u>	<u>24,454</u>	<u>-</u>
Total Non-Operating Income	<u>5,115,748</u>	<u>19</u>	<u>9,367,627</u>	<u>47</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

NON-OPERATING EXPENSES				
Interest	\$ 1,253,840	5	\$ 1,601,670	8
Foreign exchange loss - net (Note 2)	520,907	2	675,793	3
Provision for losses on investments in mutual funds (Notes 2 and 4)	64,004	-	-	-
Loss on disposal of property, plant and equipment and other assets (Note 2)	58,295	-	-	-
Loss on inventories (Notes 2 and 6)	-	-	177,023	1
Other	<u>84,730</u>	<u>1</u>	<u>100,068</u>	<u>-</u>
Total Non-Operating Expenses	<u>1,981,776</u>	<u>8</u>	<u>2,554,554</u>	<u>13</u>
INCOME BEFORE INCOME TAX	1,707,166	6	3,171,151	16
INCOME TAX BENEFIT (Notes 2 and 18)	<u>401,760</u>	<u>2</u>	<u>830,054</u>	<u>4</u>
NET INCOME	<u>\$ 2,108,926</u>	<u>8</u>	<u>\$ 4,001,205</u>	<u>20</u>
EARNINGS PER SHARE				
Based on weighted-average number of shares outstanding of 2,893,863 thousand in 2000 and 2,400,942 thousand in 1999				
	<u>\$ 0.73</u>		<u>\$ 1.67</u>	
Based on retroactively adjusted number of shares outstanding 2,727,605 thousand				
			<u>\$ 1.47</u>	

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

(With T N Soong & Co report dated March 27, 2001)

English Translation of Financial Statements Originally Issued in Chinese

MOSEL VITELIC INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2000 and 1999
(In Thousands of New Taiwan Dollars)

	CAPITAL STOCK			CAPITAL-SURPLUS			RETAINED EARNINGS (Notes 2 and 17)			UNREALIZED LOSSES ON LONG-TERM INVESTMENTS (Notes 2 and 7)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY
	Shares (Thousand)	Amount	Par Value	Paid-in Capital in Excess of Par Value	Arising from Conversion of Bonds (Notes 2 and 14)	Gain on Disposal of Properties and Other (Notes 2 and 7)	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	
BALANCE, JANUARY 1, 1999	2,369,987	\$ 23,699,871	\$ 4,994,599	\$ 1,007,872	\$ 190,910	\$ 6,193,381	\$ 1,601,933	\$ -	(\$ 2,039,370)	(\$ 437,437)	\$ 55,457	\$ 29,410,733
Issuance of capital stock, September 23, 1999	100,000	1,000,000	1,770,000	-	-	1,770,000	-	-	-	-	-	2,770,000
Conversion of bonds into capital stock	21,933	219,329	-	466,461	-	466,461	-	-	-	-	-	685,790
Legal reserve and capital surplus offset deficit	-	-	(437,437)	-	-	-	(437,437)	(1,601,933)	-	2,039,370	437,437	-
Net income in 1999	-	-	-	-	-	-	-	-	-	4,001,205	4,001,205	4,001,205
Adjusting arising from changes in ownership percentage in investees	-	-	-	-	-	2,910,045	2,910,045	-	-	-	-	2,910,045
Share in changes from disposal of long-term investments in shares of stock	-	-	-	-	-	(248,343)	(248,343)	-	-	-	-	(248,343)
Share in changes in shareholders' equities and translation adjustments of investees	-	-	-	-	-	110,678	110,678	-	-	(110,678)	(56,298)	44,241
Transfer of gain on sale of properties	-	-	-	-	-	-	-	-	-	100,539	-	-
BALANCE, DECEMBER 31, 1999	2,491,920	24,919,200	6,327,162	1,474,333	2,963,290	10,764,785	-	-	3,890,527	3,890,527	(841)	39,573,671
Appropriations of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	841	(841)	-	-	-
Legal reserve	-	-	-	-	-	-	388,968	-	(388,968)	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-
Bonus to employees - stock	35,007	350,072	-	-	-	-	-	-	(52,512)	(52,512)	-	(52,512)
Stock dividends - 12%	304,034	3,040,338	-	-	-	-	-	-	(350,072)	(350,072)	-	-
Conversion of bonds into capital stock	95,586	955,860	-	2,756,609	-	2,756,609	-	-	(3,040,338)	(3,040,338)	-	-
Net income in 2000	-	-	-	-	-	-	-	-	-	2,108,926	-	3,712,469
Adjusting arising from changes in ownership percentage in investees	-	-	-	-	-	(296,930)	(296,930)	-	-	-	-	2,108,926
Share in investee's gain on sale of properties	-	-	-	-	-	1,435	1,435	-	(1,435)	(1,435)	-	(296,930)
Transfer of gain on sale of properties	-	-	-	-	-	67,510	67,510	-	(67,510)	(67,510)	-	-
Translation adjustments of investees	-	-	-	-	-	-	-	-	-	-	201,247	201,247
BALANCE, DECEMBER 31, 2000	2,926,547	\$ 29,265,470	\$ 6,327,162	\$ 4,230,942	\$ 2,735,305	\$ 13,293,409	\$ 388,968	\$ 841	\$ 2,097,777	\$ 2,487,586	\$ 200,406	\$ 45,246,871

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

(With T N Soong & Co report dated March 27, 2001)

MOSEL VITELIC INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2000 and 1999
(In Thousands of New Taiwan Dollars)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,108,926	\$ 4,001,205
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,829,491	2,944,017
Amortization of intangible assets	2,122,599	1,567,639
Unrealized (realized) intercompany profit	112,438 (	56,390)
Write off of forward exchange receivables	337,094	-
Accrued pension cost	5,704	12,603
Gain on disposals of:		
Investments in shares of stock	(733,538 ) (	6,498,513)
Property, plant and equipment and other assets	(31,718 ) (	149,568)
Deferred income taxes	(401,760 ) (	830,054)
Equity in net income of investee companies - net	(3,193,150 ) (	2,329,301)
Realized technology service revenue and others	(28,670 ) (	108,000)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Investments in mutual funds - net	2,114,456 (	2,533,739)
Notes receivable	174,833 (	162,003)
Accounts receivable	1,219,689 (	1,120,375)
Inventories	746,291 (	893,034)
Prepaid expenses and other current assets	(147,474)	239,819
Forward exchange receivables	23,000	390,555
Increase (decrease) in:		
Notes and accounts payable	(2,965,483)	2,351,353
Accrued expenses and other current liabilities	(<u>141,904</u>)	<u>546,871</u>
Net Cash Provided by (Used in) Operating Activities	<u>4,150,824</u>	(<u>2,626,915</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(246,794 ) (	293,375)
Investments in shares of stock	(2,070,775 ) (	120,013)
Properties held for sale	(15,076 ) (	5,588)
Increase in pledged time deposits	(7,604,842 ) (	1,487,079)
Decrease in refundable deposits	155,549	198,043
Proceeds from disposals of:		
Investments in shares of stock	867,324	8,726,860
Property, plant and equipment and other assets	214,295	428,532
Increase in:		
Intangible assets	(2,250,471 ) (	1,790,870)
Non-operating properties	<u>-</u>	(<u>43,778</u>)
Net Cash provided by (Used in) Investing Activities	(<u>10,950,790</u>)	<u>5,612,732</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from (payments of) :

Commercial paper	(\$ 175,000)	\$ 45,000
Convertible bonds	9,990,459	1,505,690
Bank loans	(1,410,575)	(2,444,647)
Long-term loans	(2,442,355)	(1,798,353)
Effect of foreign exchange rates in Samurai bonds	(230,000)	332,500
Payment of remuneration to directors and supervisors	(52,512)	-
Proceeds from issuance of capital stock	-	2,770,000
Net Cash Provided by Financing Activities	<u>5,680,017</u>	<u>410,190</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(1,119,949) 3,396,007

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

4,276,272 880,265

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 3,156,323 \$ 4,276,272

SUPPLEMENTAL INFORMATION

Interest paid	<u>\$ 1,109,984</u>	<u>\$ 1,654,992</u>
Income tax paid	<u>\$ 58,969</u>	<u>\$ 15,415</u>
Cash paid for acquisition of properties:		
Total acquisitions	(\$ 242,789)	(\$ 211,473)
Payable related to acquisitions of equipment	(4,005)	(81,902)
	<u>(\$ 246,794)</u>	<u>(\$ 293,375)</u>
Cash paid for acquisitions of intangible assets:		
Total acquisitions	(\$ 4,853,848)	(\$ 1,572,354)
Royalties payable	<u>2,603,377</u>	<u>(218,516)</u>
	<u>(\$ 2,250,471)</u>	<u>(\$ 1,790,870)</u>
Non-cash investing and financing activities:		
Conversion of bonds into capital stock	<u>\$ 5,268,700</u>	<u>\$ 2,023,700</u>
Carrying value of bonds converted into capital stock	<u>\$ 904,407</u>	<u>\$ -</u>
Reversal of unrealized losses on long-term investments	<u>\$ -</u>	<u>\$ 100,539</u>
Current portion of long-term liabilities	<u>\$ 3,405,307</u>	<u>\$ 2,220,926</u>

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

(With T N Soong & Co report dated March 27, 2001)

MOSEL VITELIC INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are in Thousand of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

The Company was incorporated on January 8, 1987 and its shares of stock are listed on the Taiwan Stock Exchange since September 1995.

It designs, manufactures and markets dynamic random access memory (DRAM) chips, DRAM modules, high-speed and standard static random access memory (SRAM) chips, flash memory chips, dual port SRAM based CMOS first-in/first-out memory chips, application specific products, and other semi-conductor products and components. The Company also provides, to its affiliates, human resources related support services and consulting services related to construction of production facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements were prepared in conformity with accounting principles generally accepted in ROC. The Company's significant accounting policies are summarized as follows:

Cash equivalents

Bonds acquired under resale agreements with original maturity dates of less than three months are classified as cash equivalents.

Investments in mutual funds

These investments are stated at cost less allowance for decline in value. Costs of investments sold are determined by the average cost method.

Allowance for doubtful receivables

Allowance for doubtful accounts is provided based on evaluation of the collectibility of the receivables evaluated based upon the overall financial condition and payment record of the individual customers as well as the age of the receivables.

Sales and allowances for sales returns and discounts

Sales are recognized upon shipment of products to customers. Allowances for sales returns and discounts are provided based on experience. The related costs of products returned are accounted for as reduction in the costs of goods sold.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual weighted average cost) or market value. Market value represents replacement cost for raw materials and net realizable value for other inventories.

Investments in shares of stock

Investments in shares of stock of companies wherein the Company exercises significant influence on their operating or financial decisions are accounted for using the equity method. Under the equity method, the investment are initially carried at cost and subsequently adjusted for the proportionate equity of the Company in the net income or net loss of the investees. The difference between the costs of the investment and the Company's proportionate share in the net assets of the investees at the date of acquisition is amortized using the straight-line method over five years. Such amortization is recognized as a component of "Equity in net income or net loss of investee companies" account shown in the statements of income.

The Company will discontinue applying the equity method when the investment (including advances) is reduced to zero. However, in cases where the Company guarantees the obligations or is committed to provide further financial support to an investee company, or if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability in the foreseeable future, then, the Company continues to recognize share in net loss in proportion to its equity interests in the investees. The resulting negative carrying value of the investment and advances are reported as a liability on the balance sheets.

The gain on disposal of properties reported by an investee accounted for using the equity method and included as part of the "Equity in net income or net loss of the investee companies" recognized by the Company is reclassified from retained earnings to capital surplus by the Company to the extent of its equity interest in such subsidiary, net of tax. Also, when the Group sells the stock of shares, such capital surplus are reclassified back to retained earnings using the equity ownership of the Company at that time.

Other investments in shares of stock are accounted for at costs. A decline in value is accounted for as follows:

- a. Stock with quoted market prices. The temporary decline in market values and the reversal of such declines are included in stockholders' equity. However, an other than temporary decline in the value of the investment are charged to current income.
- b. Stock with no quoted market prices. A reduction that is other than a temporary decline in the carrying amount of the investment is charged to current income.

Investments accounted for at costs, cash dividends received in the year the investment is made is credited against the cost of the investment while cash dividends received in subsequent years are recognized as investment income. No investment income is recognized on stock dividends received.

The costs of investments sold are determined using the weighted average method.

The entire amount of the gains or losses on sales to majority owned subsidiaries are deferred until such gains or losses are realized through the subsequent sale of the related products to third parties. On the other hand, the gains or losses on the sales made by the subsidiaries to the Company are deferred by the Company to the extent of its equity interest in such subsidiaries until such gains or losses are realized also through the subsequent sale of the related products to unrelated parties.

Property, plant and equipment and non-operating properties

Property, plant and equipment and non-operating properties are stated at cost less accumulated depreciation. Major additions, renewals and betterment are capitalized, while maintenance and repairs are expensed currently.

The initial estimate of the service lives of the property, plant and equipment is as follows: Machinery and equipment, 2 to 7 years; buildings, 55 years; auxiliary equipment, 2 years; furniture and fixtures, 3 to 5 years; tooling, 2 years; transportation equipment, 3 to 5 years; and leasehold improvements, 3 to 10 years. The foregoing service lives plus one year to represent the estimated salvage value are used to depreciate the property, plant and equipment using the straight-line method. The carrying value of property, plant and equipment, which were fully depreciated using the foregoing service lives, but are still being used by the Company are depreciated over their remaining estimated service lives.

The cost and the related accumulated depreciation are removed from the accounts upon sale or disposal of property, plant and equipment and non-operating properties, and any gain or loss is credited or charged to income. Any such gain, less applicable income tax, is transferred to capital surplus at the end of the year.

Intangible assets

Intangible assets are amortized using the straight-line method over the following periods: technology, contract periods ranging from 1 to 10 years; patents, contract periods ranging from 3 years to 6 years; issue cost of bonds, 3 to 10 years; computer software and electrical installation, 3 to 5 years.

Convertible and exchangeable bonds

The excess of the stated redemption price over the face value of the bond is recognized as interest expense over a period starting from the issue date to the last day of the redemption period or the actual redemption date, whichever comes earlier, using the effective interest method.

Capital stock account is credited for the face value of the bond converted into the Company's shares of stock and the excess of the carrying value of the bond as of the date of its conversion over its face value is credited to capital surplus account.

The carrying value and the related cost of the exchangeable bond are removed from the accounts upon exchanged for the ProMOS's shares of stock, and the excess of the convertible price of the bond as of the date of its conversion over its related carrying amounts is credited or charged to income. The issue cost of the convertible and exchangeable bonds is amortized as expenses during the outstanding period of the bond.

Pension costs

Pension costs are recorded based on actuarial calculations. Unrecognized net transition obligation is amortized over 23 years.

Research and development

Research and development costs consist of expenditures incurred during the course of planned research and investigation aimed at the discovery of new knowledge which will be useful in developing new products or processes, or significantly enhancing existing products or production processes, and the implementation of such through design, testing of product alternatives or construction of prototypes. All expenses incurred related to research and development costs of the Company are charged to current income.

Income tax

The Company adopts interperiod income tax allocation method. The tax effects of deductible temporary differences, unused tax credits, and operating loss carryforwards are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred tax assets that are not certain to be realized. Deferred tax asset or liability should be classified as current or noncurrent based on the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, then it should be classified as current or noncurrent based on the expected reversal date of the temporary difference.

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

Income taxes (10%) on undistributed earnings generated are recorded as expense in the year when the shareholders have effectively decided that earnings shall be retained.

Revenue recognition

The Company recognized revenue when the contract is in place, the price is fixed and determinable, the shipment is made or service is performed and collectibility is reasonably assured.

Derivative financial instruments

Foreign currency forward exchange contracts with Credit Suisse First Boston (CSFB) and Credit Suisse First Boston International (CSFBI, formerly Credit Suisse Financial Products) (see Note 23) are accounted for as follows:

- a. Recognition of assets representing the equivalent amount in New Taiwan Dollars of the foreign currency receivables under the contracts using the spot rates at contract dates and recognition of liabilities by representing the aggregate amounts of the New Taiwan Dollars payable under the contracts.

- b. Recognition of expenses, in the year the contracts were entered into (1997), by representing the present value of the fixed amounts payable deducted from the present value of the fixed amounts receivable, in equivalent New Taiwan Dollars, for the first five years.
- c. Recognition of gains or losses on the foreign currency receivables arising from the difference between contract rate and spot rate at balance sheet dates.

Other foreign currency forward exchange contracts are recorded in New Taiwan Dollars as assets or liabilities at spot rates on the inception dates of the contracts. The difference in the New Taiwan Dollars amounts translated using the spot rates and the amounts translated using the contracted forward rates are also recognized as premiums or discounts on the inception dates of the forward contracts. Premiums or discounts are amortized using the straight-line method over the terms of the forward contracts and the amortization is recognized as income. On the balance sheet dates, the gains or losses on the foreign currency receivables or payables arising from these forward contracts are recognized as income.

Also, the receivables and payables related to the forward contracts are netted out, and the net amount is presented as either an asset or a liability.

Interest rate swap transactions are entered into to hedge the Company's interest rate exposures on its various obligations. The net interest payable or receivable under such contracts is recorded as an adjustment to the interest income or expense of the obligations hedged.

The aggregate amounts of foreign currency to be acquired or sold under European option contracts, entered into as a hedge for anticipated transactions, are not recorded as assets or liabilities. The amounts received on options written and the amounts paid to acquire the options are carried at fair value with the difference charged to income.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan Dollars, or when foreign-currency receivables or payables are settled, are credited or charged to income in the year of conversion or settlement. On the balance sheet dates, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates and the resulting differences are charged to current income except those foreign currency denominated investments in shares of stock where such differences are accounted for as translation adjustments under stockholders' equity.

Earnings per shares

Earnings per shares is calculated by dividing net income by the weighted average number of shares outstanding in each period, adjusted retroactively for stock dividends issued subsequently.

Reclassifications

Certain accounts in the financial statement as of and for the years ended December 31, 1999 have been reclassified to conform to the financial statement as of and for the year ended December 31, 2000.

3. CASH AND CASH EQUIVALENTS

<u>December 31</u>	
<u>2000</u>	<u>1999</u>
Cash and bank deposits	\$3,150,580
Bonds acquired under resale agreements	\$3,607,279
	<u>5,743</u>
	<u>668,993</u>
	<u>\$3,156,323</u>
	<u>\$4,276,272</u>

4. INVESTMENTS IN MUTUAL FUNDS - NET

<u>December 31</u>	
<u>2000</u>	<u>1999</u>
Acquisition costs:	
Open-end funds	\$ 716,932
Closed-end funds	\$2,687,334
	<u>80,050</u>
	716,932
	2,767,384
Less - allowance for decline in value	(<u>64,004</u>)
	<u>-</u>
	<u>\$ 652,928</u>
	<u>\$2,767,384</u>
Market value	<u>\$ 652,928</u>
	<u>\$2,784,831</u>

The allowance for decline in value for open-end funds are based on the net asset values as of December 31 while those for the closed-end funds are based on the average closing price in December of each year.

5. ACCOUNTS RECEIVABLE

<u>December 31</u>	
<u>2000</u>	<u>1999</u>
Related parties	\$1,870,403
	\$1,518,262
Third party	1,435,856
Allowances for:	3,372,360
Doubtful accounts	(32,684)
Sales returns and discounts	(380,336)
	<u>16,958</u>
	<u>33,980</u>
	<u>1,386,214</u>
	<u>2,958,044</u>
	<u>\$3,256,617</u>
	<u>\$4,476,306</u>

6. INVENTORIES - NET

	December 31	
	2000	1999
Finished goods	\$ 2,747,262	\$ 3,088,619
Work in process	1,910,027	2,405,425
Materials and spare parts	<u>267,737</u>	<u>265,432</u>
	4,925,026	5,759,476
Less - allowance for losses	(<u>458,674</u>)	(<u>546,833</u>)
	<u>\$4,466,352</u>	<u>\$5,212,643</u>

7. INVESTMENTS IN SHARES OF STOCK

	December 31			
	2000		1999	
	Carrying Value	% of Owner-Ship	Carrying Value	% of Owner-Ship
Equity method:				
ProMOS Technologies Inc. (ProMOS)	\$18,836,238	48	\$16,463,655	49
ChipMOS Technologies Inc. (ChipMOS)	5,553,076	45	3,439,719	46
Mosel Vitelic Corporation (MVC)	2,074,597	100	2,160,341	100
Dai-Gin Investment Co. (Dai-Gin)	602,001	100	1,421,904	100
Ultima Electronics Co. (Ultima)	289,894	8	159,995	7
PlusMOS Technology Inc. (PlusMOS)	179,636	35	-	-
United Memories Inc. (UMI)	103,068	100	118,184	100
Mosel Vitelic Japan Ltd. (MVJ)	45,324	100	-	-
Cost method:				
Aplus Technology, Inc.	92,600	9	-	-
Taiwan Asia Pacific Venture Fund Ltd. (TAPVF)	28,035	4	28,035	4
Precision Semi-Conductor Mask Co. (PSM)	<u>23,000</u>	1	<u>45,000</u>	2
	<u>\$27,827,469</u>		<u>\$23,836,833</u>	
Excess of cumulative share in losses over the acquisition costs of investments:				
Vision2000 Venture Ltd. (Vision 2000)	\$ 858,932	100	\$ 1,719,531	100
Mosel Vitelic Japan Ltd. (MVJ)	<u>-</u>	-	<u>55,728</u>	100
	<u>\$ 858,932</u>		<u>\$ 1,775,259</u>	

The carrying values of investments accounted for using the equity method and the related equity in net income or net loss for the years ended December 31, 2000 and 1999 were based on audited financial statements of the investees in the same period except for UMI.

The equity in net income or net loss are summarized as follows:

	<u>2000</u>	<u>1999</u>
<u>Investees</u>		
ProMOS	\$2,837,341	\$3,006,843
Vision2000	849,572	(1,279,372)
ChipMOS	729,753	542,444
MVJ	97,953	(75,037)
Ultima	12,904	-
Dai-Gin	(831,071)	19,025
PlusMOS	(240,364)	-
MVC	(250,194)	28,307
UMI	(12,744)	100
TwinMOS	<u>-</u>	<u>86,991</u>
	<u>\$3,193,150</u>	<u>\$2,329,301</u>

The financial statements of Ultima and the indirectly owned subsidiaries of Dai-Gin (such as Sun-Fund Securities Ltd. - 49% owned; Land Mark Venture Capital Co. - 56% owned; Ber-Der Investment Ltd. - 99% owned; Sun-Fund Securities Investment Advisory Ltd. - 60% owned; and Mou Jui Management Consulting Co. Ltd., 99%-owned) are audited by another auditors. The financial statements of Ultima and Dai-Gin are accounted for in the accompanying financial statements using the equity method of accounting. In addition, the Dai-Gin's investments in its investee companies enumerated above are also accounted for using the equity method of accounting.

On January 4, 2000, the Company acquired additional shares of stock of Ultima representing 2% of its outstanding capital stock (OCS), thereby, increasing its equity interest in Ultima to 9% of its OCS. As a result of such acquisition, the Company's total direct and indirect equity interest in Ultima increased to 20% of its OCS.

On January 21, 2000, the Company acquired 42,000 thousand shares of PlusMOS, representing 35% of its OCS, for \$420,000. PlusMOS manufactures and markets, on both wholesale and retail bases, electronic parts and components.

On January 12, 2001, the Company executed a Purchase and Subscription Agreement (Agreement) whereby it transferred all its holdings in ChipMOS consisting of 377,278 thousands common shares to ChipMOS TECHNOLOGIES (Bermuda) LTD. in exchange for 37,728 thousands common shares of ChipMOS Bermuda. The Company, which prior to the execution of the Agreement held in the aggregate 45% of the outstanding common shares of ChipMOS, thus become the major shareholder of ChipMOS Bermuda, which, in turn, became the holder of 45% of outstanding common shares of ChipMOS. ChipMOS Bermuda is currently processing its application to have its shares listed on National Association of Securities Dealers Automated Quotation.

On March 6, 2001, the Company acquired 27,494 thousand shares of DenMOS, representing 55% of its OCS, for \$274,940. DenMOS designs LCD driver integrated circuit products.

8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consists of:

	December 31	
	2000	1999
Machinery and equipment	\$10,996,348	\$ 8,700,329
Buildings and auxiliary equipment	1,050,842	822,317
Furniture and fixtures	272,972	239,912
Tooling	32,417	24,869
Transportation equipment	6,308	5,838
Leasehold improvements	<u>1,902</u>	<u>1,061</u>
	<u>\$12,360,789</u>	<u>\$ 9,794,326</u>

9. INTANGIBLE ASSETS - NET

	December 31	
	2000	1999
Technology	\$10,720,271	\$ 7,769,186
Patents	258,507	516,458
Issue cost of bonds	121,447	-
Computer software and electrical installations	<u>36,403</u>	<u>49,440</u>
	<u>\$11,136,628</u>	<u>\$ 8,335,084</u>

The Company pays a specified amount of license fee to Siemens Aktiengesellschaft (SAG) for 64M and 256M DRAM technology and technologies related to back-end processes pursuant to license agreements dated September 26, 1996 and August 19, 1997. SAG subsequently transferred all its rights and obligations under the foregoing license agreements to Infineon Technologies A.G. (Infineon) on March 15, 2000. Infineon was formerly the semiconductor businesses of SAG that was spun off into a separate entity in April 1999.

The Company has patent agreements with several foreign companies under which it pays royalties based on schedules of payments set forth in the agreements.

10. NON-OPERATING PROPERTIES - NET

	December 31	
	2000	1999
Dormitory used by employees	\$ 621,705	\$ 649,426
Buildings and equipment leased to others	681,146	799,191
Office building and other assets	<u>216,665</u>	<u>226,542</u>
	<u>\$ 1,519,516</u>	<u>\$ 1,675,159</u>

Buildings and equipment are those assets leased to ProMOS and other parties under operating lease agreements.

11. BANK LOANS

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
Loan for import of materials: 2000 - US\$445 thousand and ¥283,500 thousand, due in June 2001, interest at 1.348%-7.766%; 1999 - US\$923 thousand, ¥141,771 thousand and NLG150 thousand, due in January 2000, interest at 1.4%-7.4%	\$ 96,662	\$ 74,765
Loan for other imports: US\$28,087 thousand, due in March 2000, interest at 6.05%-6.85%	-	883,472
Operating capital loan: due in January 2000, interest at 5.58% -8.67%	-	549,000
	<u>\$ 96,662</u>	<u>\$ 1,507,237</u>

Unused credits lines for bank loans as of December 31, 2000 aggregated to \$3,843,271 and consisted of \$3,629,740 and US\$6,455 thousand.

12. COMMERCIAL PAPER

The commercial paper, which was guaranteed by several financial institutions, was fully paid in January 2000 and bore annual interest rate ranging from 4.55% to 5.05%.

Unused credits lines for commercial paper as of December 31, 2000 aggregated to about \$800,000.

13. LONG-TERM BANK LOANS

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
Syndicated Bank Loans granted on:		
November 14, 1996	\$ 1,701,257	\$ 3,235,371
April 30, 1996	94,970	158,290
March 15, 1996	20,730	103,650
Repayable in 8 semi-annual installments commencing September 2000 and a final installments in March 2004, interest at floating rate, 7.6% to 8.32% and 8.32% as of December 31, 2000 and 1999, respectively	525,000	600,000
Repayable in March 2001, paid partially in June and December, interest at floating rate, 8% to 8.3% and 8.3% as of December 31, 2000 and 1999, respectively	70,000	300,000

(Forward)

US\$24,400 thousand, repayable in 8 semi-annual installments commencing April 1997 and a final installment in October 2000, interest at floating rate, 6.1377% as of December 31, 1999	\$	-	\$ 307,001
Repayable in annual installments commencing April 1999 and a final installment in April 2001. The loan was fully paid in April and October 2000 and bore interest at floating rate 8.9%		-	<u>150,000</u>
		2,411,957	4,854,312
Less - current portion	(	<u>2,005,307</u>)	(<u>2,220,926</u>)
	\$	<u>406,650</u>	<u>\$2,633,386</u>

The Syndicated Bank Loans were obtained from syndicates of banks to finance the acquisitions of investments in share of stocks and expansion of the wafer fabrication facilities. The loan granted on November 14, 1996 is a US\$180,000 thousand loan that is payable in six semi-annual installment starting November 1998 plus a final payment in November 2001. This loan bears interest at floating rates that ranges from 6.9460% to 7.9150% and 5.9794% as of December 31, 2000 and 1999, respectively. The loan granted on April 30, 1996 is payable in 14 consecutive quarterly payment that started in October 1998 plus a final payment in April 2002. It bears interest at floating rates that ranges from 6.630% to 6.765% and 6.765% as of December 31, 2000 and 1999, respectively. The loan granted on March 15, 1996 is payable in 14 consecutive quarterly payment that started in September 1997 plus a final payment in March 2001. It bears interest at floating rates that ranges from 6.63% to 6.64% and 6.64% as of December 31, 2000 and 1999, respectively.

The loan agreements covering the syndicated loans require, among other things, that the Company's equity interest in ProMOS shall not fall below 41%, maintenance of specific current liability and other financial ratios as well as consent by the banks on important investment plans and appropriations of earnings.

The Company was in compliance with the requirements under the loan agreements as of December 31, 2000.

14. BONDS PAYABLE

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
Bonds issued in July 1996 (the "July 1996 Bonds")		
Aggregate face value of bonds issued	\$ 2,000,000	\$ 2,000,000
Converted into 70,019 thousand shares and 66,635 thousand shares at December 31, 2000 and 1999, respectively	(1,879,100)	(1,810,400)
Accrued redemption premium	<u>38,255</u>	<u>44,657</u>
	<u>159,155</u>	<u>234,257</u>

(Forward)

Bonds issued in May 1998 (the "May 1998 Bonds")		
Aggregate face value of bonds issued	\$ 5,000,000	\$ 5,000,000
Converted into 97,995 thousand shares and 5,793 thousand shares at December 31, 2000 and 1999, respectively	(3,389,600)	(213,300)
Accrued redemption premium	<u>353,782</u>	<u>625,569</u>
	<u>1,964,182</u>	<u>5,412,269</u>
Bonds issued in October and November 1998 - due in October and November 2001; annual interest rates of 7.52% and 7.18%		
Original issue	2,000,000	2,000,000
Redemption	(<u>600,000</u>)	(<u>600,000</u>)
	<u>1,400,000</u>	<u>1,400,000</u>
Bonds issued in January 1999 - due in January 2002; interest at floating rate (currently 9%)		
	<u>2,000,000</u>	<u>2,000,000</u>
Issued on February 2000 (the "February 2000 Bonds")		
Aggregate face value of bonds issued	4,962,000	-
Converted into 7,833 thousand shares at December 31, 2000	(904,407)	-
Accrued redemption premium	<u>317,013</u>	-
	<u>4,374,606</u>	-
Bonds issued in April 2000 - due in April 2003; interest at floating rate (currently 5.7%)		
	<u>5,500,000</u>	-
	15,397,943	9,046,526
Current portion	(<u>1,400,000</u>)	-
	<u>\$13,997,943</u>	<u>\$ 9,046,526</u>

The July 1996 Bonds, the May 1998 Bonds and the February 2000 Bonds (collectively the "Bonds") will mature on July 2006, May 2008 and February 2005, respectively, and bear annual interest rates of 2.5%, 0% and 1%, respectively. The July 1996 Bonds and the May 1998 Bonds are convertible into shares of stock of the Company at \$40.40 and \$46.58 (both adjustable), respectively, from October 1996 to July 7, 2006 and from August 1998 to May 20, 2008, respectively. The February 2000 Bonds are convertible into share of stock of ProMOS at \$107.41 (adjustable) per share. The conversion period is from February 2, 2000 to February 1, 2005. Under certain conditions, either the holders of the bonds or the Company may redeem the bonds at any time prior to the maturity date.

As of December 31, 2000, the Company has provided shares of 91,800 thousand, 168,446 thousand and 315,759 thousand in investment of ProMOS to pledge as collaterals to secure the bonds issued in January 1999, bonds issued in April 2000, and the February 2000 Bonds, respectively.

15. SAMURAI BONDS

The bonds, with a total par value of ¥12,500,000 thousand, were issued on June 12, 1997 in Japan, and will mature on June 12, 2002. Such bonds, which are unsecured, bear annual fixed interest rate of 2.8% payable semi-annually.

16. PENSION PLAN

The Company has a pension plan for all regular employees that provides benefits based on length of service and average monthly salary for the six months before retirement. The Company makes monthly contributions, equal to 2% of salaries, to a pension fund that is administered by a pension fund monitoring committee and deposited in the committee's name in the Central Trust of China.

Certain pension information is as follows:

	<u>2000</u>	<u>1999</u>
a. Pension cost		
Service cost	\$ 19,021	\$ 22,556
Interest cost	7,307	9,445
Projected return on plan assets	(7,711)	(7,218)
Amortization of unrecognized net transition obligation	(<u>1,451</u>)	(<u>1,003</u>)
	<u>\$ 17,166</u>	<u>\$ 25,786</u>
b. Reconciliation of the funded status of the plan and accrued pension cost:		
Benefit obligations:		
Vested benefit obligation	(\$ 12,101)	(\$ 9,558)
Nonvested benefit obligation	(<u>55,091</u>)	(<u>39,226</u>)
Accumulated benefit obligation	(67,192)	(48,784)
Additional benefits based on future salaries	(<u>76,660</u>)	(<u>64,987</u>)
Projected benefit obligation	(143,852)	(113,771)
Fair value of plan assets	<u>131,020</u>	<u>114,487</u>
Funded status	(12,832)	716
Unrecognized net transition obligation	18,064	19,067
Unrecognized net loss	(<u>44,379</u>)	(<u>53,161</u>)
Accrued pension cost	(<u>\$ 39,147</u>)	(<u>\$ 33,378</u>)
c. Vested benefit - undiscounted	(<u>\$ 12,101</u>)	(<u>\$ 9,558</u>)
d. Actuarial assumptions:		
Discount rates used in determining present values	6.0%	6.5%
Future salary increase rate	6.0%	6.5%
Expected rate of return on plan assets	6.0%	6.5%
e. Contributions to pension fund	<u>\$ 11,397</u>	<u>\$ 11,355</u>
f. Payments from pension fund	<u>\$ 858</u>	<u>\$ -</u>

17. STOCKHOLDERS' EQUITY

On September 23, 1999, the Company issued 9,980 thousand units of global depositary receipts (GDR), at an aggregate issue price of \$2,770,000 or \$27.70 per share representing 99,800 thousand shares of its common stock with par value of \$10. Simultaneous to the issuance of the GDR, the Company also issued 200 thousand shares to its employees.

Under the Company Law, capital surplus can only be used to offset a deficit or transferred to capital.

The Company's Articles of Incorporation provides that the following may be appropriated, if resolved by stockholders, from the accumulated net income after deducting any previously accumulated deficit, 10% legal reserve: (a) a special reserve, if deemed necessary, (b) 10% as bonus to employees, in cases where any dividend is distributed or paid by the Company, (c) no more than 2% as bonus to directors and supervisors, also in cases where any dividend is distributed or paid by the Company, and (d) dividends to stockholders. Also, bonus and dividends can only be distributed and/or paid after all income tax obligations of the Company are paid.

These appropriations are either in cash or in the form of stock. Also, cash dividends shall not exceed 50% of total dividends declared. Also, the Company can not appropriate dividends and bonus if there is no earnings.

These appropriations and the disposition of the remaining net income are approved by the stockholders in the following year and given effect to in the financial statements of that year.

The above-mentioned appropriation for legal reserve is made until the reserve equals the aggregate par value of the Company's outstanding capital stock. Such reserve can only be used to offset a deficit; or, when it has reached 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% thereof can be declared as stock dividend.

Pursuant to current regulations promulgated by the Securities and Futures Commission (SFC), a special reserve equivalent to the debit balance of any account shown in the shareholder equity of the balance sheets, such as unrealized loss on investments in shares of stock and cumulative translation adjustments, shall be appropriated from retained earnings. The special reserve shall be adjusted accordingly based on the debit balance of such accounts as at balance sheet dates.

Under the Integrated Income Tax System that became effective on January 1, 1998, resident individual stockholders are allowed tax credits for the income tax paid by the Company on earnings generated also as of January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company actually paid by or withheld from the Company and the tax credit allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

18. INCOME TAX

- a. A reconciliation of income tax expense – current and income tax expense based on income tax at statutory rate is shown below:

	<u>2000</u>	<u>1999</u>
Income tax expense on income before income tax at statutory rate (20%)	\$ 341,433	\$ 692,956
Temporary differences	(9,462)	2,774
Permanent differences and other	(<u>628,965</u>)	(<u>1,800,804</u>)
Income tax expense - current	(\$ <u>296,994</u>)	(\$ <u>1,105,074</u>)

- b. Income tax benefit as of December 31, 2000 and 1999 consist of:

	<u>2000</u>	<u>1999</u>
Income tax expense – current	\$ -	\$ -
Net change in deferred income tax benefit (expenses) for the year :		
Temporary differences	119,865	(1,123)
Operating loss carryforwards	747,076	1,153,952
Tax credit	(572,720)	(552,804)
Tax credit from shareholders' shares	-	1,100,453
Valuation allowance	<u>107,539</u>	(<u>870,424</u>)
Income tax benefit	<u>\$ 401,760</u>	<u>\$ 830,054</u>

- c. Deferred income tax assets as of December 31, 2000 and 1999 consisted of the tax effects of the following:

	<u>2000</u>	<u>1999</u>
Current:		
Tax credit on machinery and equipment	\$ 179,340	\$ 423,103
Research and development expenditures	29,882	122,662
Temporary differences	466,001	253,021
Operating loss carryforwards	-	<u>1,082,643</u>
	675,223	1,881,429
Valuation allowance	(<u>209,223</u>)	-
	<u>\$ 466,000</u>	<u>\$1,881,429</u>
Noncurrent:		
Tax credit on machinery and equipment	\$ 41,368	\$ 220,131
Research and development expenditures	272,400	329,814
Tax credit from shareholders' shares	2,726,909	2,726,909
Operating loss carryforwards	2,934,793	1,160,391
Temporary differences	(<u>609,177</u>)	(<u>516,062</u>)
	5,366,293	3,865,866
Valuation allowance	(<u>938,662</u>)	(<u>1,255,424</u>)
	<u>\$4,427,631</u>	<u>\$2,610,442</u>

The effective tax rates for deferred income tax as of December 31, 2000 and 1999 are 25% and 20%, respectively.

- d. Integrated income tax information. The balances of the ICA (see Note 17) were \$13,308 and \$37,597 as of December 31, 2000 and 1999, respectively.

The imputation credit allocated to each shareholder shall be based on the balance of the ICA on the date of distribution of dividends. Thus, the tax credit rate applicable on the date of the distribution of the cash dividends may differ from the tax credit rate of 0.63% as of December 31, 2000. The actual tax credit rate was 3.08% as of December 31, 1999. There was no distribution of retained earnings in 1998.

- e. The unappropriated retained earning information. The unappropriated earnings as of December 31, 2000 and 1999 did not include any earning generated prior to December 31, 1997.

Unused tax credits outstanding as of December 31, 2000 will expire as follows:

<u>Year of Expiry</u>	<u>Credits on</u>			
	<u>Machinery and Equipment</u>	<u>R&D Expenditures</u>	<u>Shareholders' Shares</u>	<u>Operating Loss Carryforwards</u>
2001	\$ 179,340	\$ 29,882	\$ -	\$ -
2002	33,290	87,829	1,363,988	289,725
2003	3,230	86,898	963,595	792,918
2004 and thereafter	<u>4,848</u>	<u>97,673</u>	<u>399,326</u>	<u>1,852,150</u>
	<u>\$ 220,708</u>	<u>\$ 302,282</u>	<u>\$2,726,909</u>	<u>\$2,934,793</u>

Income tax returns have been examined cleared by the tax authorities through 1997 (except 1993).

19. RELATED PARTY TRANSACTIONS

The Company has transactions with MVC, MVJ, UMI, ProMOS, ChipMOS, PlusMOS and Ultima. It also has transactions with (a) Billion-Create Technologies Co. (Billion-Create), a wholly-owned subsidiary of PlusMOS, (b) SyncMOS Technologies Inc. Taiwan Branch, 32% of indirect ownership.

b. Related party transactions other than those disclosed in other notes:

	<u>2000</u>		<u>1999</u>	
<u>At end of year</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Accounts receivable				
MVJ	\$1,663,670	51	\$ 960,162	21
Ultima	129,866	4	-	-
MVC	76,149	2	558,049	13
ProMOS	690	-	-	-
PlusMOS	28	-	-	-
ChipMOS	-	-	51	-
	<u>\$1,870,403</u>	<u>57</u>	<u>\$1,518,262</u>	<u>34</u>
Other receivables				
ProMOS	\$ 16,816	5	\$ 18,203	6
MVJ	10,647	3	131	-
SyncMOS	6,842	2	-	-
MVC	1,436	-	1,389	1
ChipMOS	750	-	1,159	-
Ultima	479	-	-	-
PlusMOS	416	-	-	-
	<u>\$ 37,386</u>	<u>10</u>	<u>\$ 20,882</u>	<u>7</u>
Notes and accounts payable				
ChipMOS	\$ 687,241	24	\$1,223,438	21
ProMOS	258,212	9	-	-
MVC	60,550	2	-	-
	<u>\$1,006,003</u>	<u>35</u>	<u>\$1,223,438</u>	<u>21</u>
Other payables				
MVC	\$ 32,529	5	\$ 51,831	6
UMI	12,132	2	-	-
ProMOS	9,697	2	26,627	3
ChipMOS	8,800	1	4,362	1
	<u>\$ 63,158</u>	<u>10</u>	<u>\$ 82,820</u>	<u>10</u>
Guarantee deposits				
ProMOS	<u>\$ 9,685</u>	<u>2</u>	<u>\$ 9,685</u>	<u>1</u>

(Forward)

For the year

Product sales				
MVJ	\$3,924,621	15	\$1,725,920	9
MVC	2,633,691	10	1,775,500	9
Ultima	1,461,888	5	419,241	2
PlusMOS	1,085,774	4	-	-
Billion-Create	283,878	1	118,864	1
ChipMOS	192,923	1	306,791	1
ProMOS	<u>2,752</u>	<u>-</u>	<u>60</u>	<u>-</u>
	<u>\$9,585,527</u>	<u>36</u>	<u>\$4,346,376</u>	<u>22</u>
Technology service revenue				
ProMOS	\$ 22,186	104	\$ 2,870	2
ChipMOS	<u>1,659</u>	<u>8</u>	<u>10,887</u>	<u>9</u>
	<u>\$ 23,845</u>	<u>112</u>	<u>\$ 13,757</u>	<u>11</u>
Purchases				
ProMOS	\$ 942,727	6	\$ 303,355	2
MVC	<u>-</u>	<u>-</u>	<u>49,401</u>	<u>-</u>
	<u>\$ 942,727</u>	<u>6</u>	<u>\$ 352,756</u>	<u>2</u>
Manufacturing expenses				
Royalties - MVC	<u>\$ 173</u>	<u>-</u>	<u>\$ 677</u>	<u>-</u>
Subcontract expenses - ChipMOS	<u>\$4,026,532</u>	<u>41</u>	<u>\$3,770,105</u>	<u>44</u>
R&D expense				
MVC	\$ 372,857	11	\$ 245,908	9
UMI	135,079	4	120,098	4
ProMOS	58,130	1	6,879	-
ChipMOS	<u>38,059</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 604,125</u>	<u>17</u>	<u>\$ 372,885</u>	<u>13</u>
Selling expenses - commission:				
MVC	<u>\$ 10,506</u>	<u>5</u>	<u>\$ 21,135</u>	<u>3</u>
Rental expense				
ChipMOS	\$ 7,550	21	\$ 9,894	15
ProMOS	<u>5,040</u>	<u>14</u>	<u>5,189</u>	<u>8</u>
	<u>\$ 12,590</u>	<u>35</u>	<u>\$ 15,083</u>	<u>23</u>
Rental revenue - ProMOS	<u>\$ 35,580</u>	<u>64</u>	<u>\$ 60,001</u>	<u>76</u>

(Forward)

Other nonoperating income				
ProMOS	\$ 37,721	13	\$ 3,251	13
ChipMOS	7,776	3	20,310	83
PlusMOS	1,724	1	-	-
Ultima	1,300	-	-	-
SyncMOS	<u>1,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 49,579</u>	<u>17</u>	<u>\$ 23,561</u>	<u>96</u>
Proceeds from disposal of properties				
ProMOS	\$ 178,531	83	\$ 53,990	13
ChipMOS	<u>-</u>	<u>-</u>	<u>145</u>	<u>-</u>
	<u>\$ 178,531</u>	<u>83</u>	<u>\$ 54,135</u>	<u>13</u>

Sales to MVC and MVJ were made at 90% and 96%, respectively, of the selling prices to third parties, and payment terms are similar to those with non-related parties. Also, the payment terms of sales to Ultima and PlusMOS were 7 days after the shipment dates of the products. The terms of the arrangement with ChipMOS relative to its testing and packaging of the chips fabricated by the Company are the same as those with non-related parties. Also, the payment term of purchases from ProMOS is 60 days after shipment of the products.

MVC and UMI are conducting research and development (R&D) on certain products since 1993. The Company reimburses the expenses incurred by MVC and UMI related to foregoing R&D activities plus a fee equivalent to 5% to 10% of the actual expenses.

20. PLEDGED OR MORTGAGED ASSETS

The following assets are pledged or mortgaged as collateral to secure the customs duties obligations, short-term loans, long-term loans, secured bonds and exchangeable bonds of the Company as well as obligations of related companies:

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
Time deposits:		
Current Assets	\$ 9,824,497	\$ 2,227,780
Other Assets	165,400	157,275
Shares of stock (shown as investments in shares of stock):		
ChipMOS - 75,000 thousand shares	-	858,236
ProMOS - 576,005 shares in 2000 and 70,800 thousand shares in 1999	8,605,515	1,131,153
Property, plant and equipment - net	5,092,361	6,908,834
Non operating properties :		
R&D buildings	150,776	157,775
Land which is the site of dormitory	<u>621,706</u>	<u>649,426</u>
	<u>\$24,460,255</u>	<u>\$12,090,479</u>

21. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases parcels of land from the Hsin-Chu Science-Based and Tainan Science-Based Industrial Park Administration (SIPA and TIPAs) under several agreements expiring on various dates from 2009 to 2015 and 2020, respectively, but are renewable upon expiration. Annual rentals, which are subjected to adjustments, currently aggregate to \$23,608 and \$13,644, respectively.

The Company also leased certain equipment from Comdisco Trade Inc. under a non-cancelable operating lease agreement expiring in 2002.

Minimum lease payments were as follows:

<u>Years</u>	<u>Equipment</u>	<u>Land</u>	<u>Total</u>
2001	\$ 106,538	\$ 37,252	\$ 143,790
2002	97,660	37,252	134,912
2003	-	37,252	37,252
2004	-	37,252	37,252
2005	-	37,252	37,252
2006 and thereafter	<u>-</u>	<u>333,751</u>	<u>333,751</u>
	<u>\$ 204,198</u>	<u>\$ 520,011</u>	<u>\$ 724,209</u>

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Commitments and contingencies as of December 31, 2000, except those disclosed in other notes to the financial statements, are as follows:

- a. Unused letters of credit of about US\$100 thousand and ¥31,500 thousand.
- b. As mentioned in Note 20, a portion of the Company's time deposits amounting to US\$49,582 thousand were used to partially secure an obligation of Vision2000. Also, a portion of the Company's time deposits amounting to \$3,007,046 and US\$32,936 thousand were used to partially secure an obligation of Mou-Fu Investment Co. (Mou-Fu), which is a wholly owned subsidiary of Dai-Gin. Further, the Company also has guarantee on the borrowings of Vision2000 of \$2,359,649, Ultima of \$2,400,000 and Mou-Fu of \$4,732,980.
- c. Purchase, through SAG, of a certain percentage of wafers produced by ProMOS pursuant to a Joint Venture Agreement (JVA) entered into on September 26, 1996 among the Company, ProMOS and SAG. On March 15, 2000, the rights and obligations of SAG under the JVA were substituted by Infineon.

- d. The Company had entered into two forward contracts with CSFB and CSFBI in 1997, respectively (see Note 23 a). In September 2000, CSFB and CSFBI brought an action in an English Court (the "Court") to declare the contracts to be valid. In November 2000, the Company terminated the contracts and filed a defense and counterclaim with the Court. The counterclaim seeks to have these two contracts declared invalid or, alternatively, seeks to have CSFB and CSFBI declared to be in breach of the contracts. The counterclaim also seeks repayment for all annual payments totalling to US\$6,299 thousand that the Company has paid, the security deposit payments with CSFB and CSFBI of US\$5,000 thousand (other assets) and damages as compensation for breach of contract. In January 2001, CSFB and CSFBI also filed their counter suits reasserting that the two contracts are still valid. The counter suits filed by CSFB and CSFBI also seek net claim amounting to approximately US\$45,485 thousand in early termination penalty fees.

As of March 27, 2001, the foregoing legal proceedings are still pending with the Court. After consultation with the Company's general counsel, management believes that the Company's defense and counterclaim have a reasonable prospect of success, therefore, the management believes that the outcome of the case will not materially affect the Company's financial position and the result of its operations. Accordingly, no provision has been recorded in the accompanying financial statements in respect of the claims made by CSFB and CSFBI.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The information relative to the derivative transactions of the Company is as follows:

a. Forward exchange contracts

- 1) As of December 31, 2000, the Company has outstanding forward exchange contracts as follows: (a) with CSFBI whereby the Company will receive US\$120,000 thousand and will pay \$3,415,200 at the maturity date, and (b) with CSFB whereby the Company will receive US\$50,000 thousand and will pay \$1,423,000 at the maturity date. The forward exchange contracts also provide for: (a) payment by the Company every year of an amount equivalent to 1.825% and 1.8325% of the US\$120,000 thousand and US\$50,000 thousand, respectively, and (b) the contracts could be terminated early in 2002, but there was an option for CSFBI and the Company to allow these contracts to continue up to 2027, respectively. The Company is required to pay a significant amount of penalty fee if the contract is terminated early.

The Company has recorded a liability for the present value of the annual payments through 2002. The Company has not recognized any liability related to the annual premium payable in Year 2003 through Year 2027 and the termination settlement payment if the contract is terminated in 2002.

The above transactions were entered into to hedge short-term bank loans of US\$51,874 thousand and bonds payable of US\$122,660 thousand.

The Company entered into the forward exchange contracts with CSFBI and CSFB in 1997. Due to the modification of the contracts and the fluctuation of the currency exchange rate, the recognition of loss items pertaining to the transactions impacted on operating results from 1997 to 1999. This resulted in decreases of \$234,905 in the 1997 net income and \$13,637 in the 1998 net loss. However, the 1999 net income increased by \$221,268. The accumulated effects would only be 0.47% and 0.32% of total assets as of December 31, 1997 and 1998, respectively, and 0.75% of stockholders' equity for each year ended. In addition, it will not change the performance trend in 1997 through 1999.

- 2) Other forward exchange contracts to hedge foreign-currency denominated accounts payable had expired as of December 31, 2000.

b. Interest rate swaps agreements

The Company has interest rate swap agreements to hedge its exposures to rising interest rates, associated with certain floating rate long-term bank debts (see Note 13). Under such agreements, the Company pays fixed rate of interest on the notional amounts which interest rates ranged from 5.75% to 6.721% in 2000 and will receive interest on the same notional amounts at rates published by REUTER. Such transactions are summarized as follows:

<u>Contract Date</u>	<u>Period</u>	<u>Notional Amount (Thousand)</u>
January 17, 1997	January 21, 1997 - November 14, 2001	US\$ 8,571
January 21, 1997	January 23, 1997 - January 23, 2002	US\$ 12,857
January 22, 1997	January 24, 1997 - November 16, 2001	US\$ 8,571

In addition, the Company has also entered into exchange rate and interest rate swap transactions to hedge exposure to exchange rate fluctuations on its JP¥-denominated Samurai bonds. The contracts, as of December 31, 2000 is summarized as follows:

<u>Contract Date</u>	<u>Period</u>	<u>Amount (Thousand)</u>	<u>Type</u>
July 14, 1997 - July 15, 1997	July 16, 1997 - June 10, 2002	JP¥1,544,960	NT\$ to JP¥

c. Transaction risks

- 1) Credit risk. The banks with which the Company has entered into the above contracts are reputable and, therefore, management believes that exposure to credit risks arising from probable default by such counter parties is low.

- 2) Market risk and hedge strategy. The Company is exposed to market risks arising from changes in interest rates on floating-rate long-term obligations and currency exchange rates arising from U.S. dollar denominated accounts receivable, Yen denominated accounts payable and U.S. dollar denominated debt. In order to manage these exposures, the Company entered into forward contracts and swap contracts. The hedging strategy of the Company is to use financial instruments having negative correlation to fair value of the hedged item and periodically evaluates the effectiveness of these instruments as hedges of its exposures.
- 3) Liquidity and cash requirement. The cash flow requirements with respect to the Company's forward contracts are limited to the periodic premium payments and the net differences of the contracted settlement rates. On the other hand, interest rate swap transactions requires the settlement of the net interest payable or receivable only. The foregoing cash requirements are not material to the Company.

d. Fair value of financial instruments

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,156,323	\$ 3,156,323	\$ 4,276,272	\$ 4,276,272
Pledged time deposits	9,989,897	9,989,897	2,385,055	2,385,055
Investments in mutual funds - net	652,928	652,928	2,767,384	2,784,831
Notes receivable	19,356	19,356	194,189	194,189
Accounts receivable	3,256,617	3,256,617	4,476,306	4,476,306
Investments in shares of stock (including credit balance)	26,968,537	48,598,621	22,061,574	84,505,875
Refundable deposits	795,055	795,055	950,605	950,605
<u>Liabilities</u>				
Bank loans	\$ 96,662	\$ 96,662	\$ 1,507,237	\$ 1,507,237
Commercial papers	-	-	175,000	175,000
Notes and accounts payable	2,841,677	2,841,677	5,807,160	5,807,160
Royalties payable (including current portion)	3,214,072	3,214,072	610,695	610,695
Long-term bank loans (including current portion)	2,411,957	2,411,957	4,854,312	4,854,312
Bonds payable (including current portion)	15,397,943	14,667,953	9,046,526	9,091,921
Samurai bonds payable	3,612,500	3,468,000	3,842,500	3,712,899
Guarantee deposits	17,478	17,478	16,172	16,172

Fair values of financial instruments were determined as follows:

- a. Short-term financial instruments - carrying values.
- b. Investments in mutual funds - market values.

- c. Investments in shares of stock - market value for listed companies and net equity value for the others.
- d. Refundable guarantee deposits – carrying values.
- e. Long-term bank liabilities - forecasted cash flows discounted at present value, using interest rates of similar long-term liabilities. Fair values of long-term liabilities are their carrying values as they use floating interest rates.

The fair values shown above pertain only to the fair values of financial instruments and did not include the fair values of non-financial instruments. Accordingly, they do not represent the fair value of the Company.

24. ADDITIONAL DISCLOSURES

The following are the additional disclosure requirements for the Company and affiliates pursuant to SFC requirements:

- a. Financing provided to other parties: Please see Table 1 attached.
- b. Collateral provided to other parties: Please see Table 2 attached.
- c. Marketable Securities held: Please see Table 3 attached.
- d. Marketable securities acquired and disposed at costs or prices at least \$100,000 or 20% of the paid-in capital: Please see Table 4 attached.
- e. Total purchase from or sale to related parties amounting to at least \$100,000 or 20% of paid-in capital: Please see Table 5 attached.
- f. Receivables from related parties amounting to at least \$100,000 or 20% of the paid-in capital: Please see Table 6 attached.
- g. Names, location and related information of investees on which the Company exercises significant influence: Please see Table 7 attached.
- h. Transactions of derivative financial instruments: Please see Note 23 and the followings.

ProMOS

Forward exchange contracts and foreign currency options entered into by ProMOS for the year ended December 31, 2000 is as follows:

- a. Forward exchange contracts
 - 1) As of December 31, 2000, the Company has forward exchange contracts, which were terminated in November 2000, as follows: (a) with CSFBI whereby the Company will receive US\$225,000 thousand and will pay \$6,210,000 at the maturity date, and (b) with CSFB whereby the Company will receive US\$200,000 thousand and will pay \$5,520,000 at the maturity date. The

forward exchange contracts also provide for: (a) payment by the Company every year of an amount equivalent to 1.825% and 1.857% of the US\$225,000 thousand and US\$200,000 thousand, respectively, (the "annual payments") and (b) the contracts could be terminated early in 2002, but there was an option for the Company to allow these contracts to continue up to 2027. The Company is required to pay a significant amount of penalty fee if the contract is terminated early (the "termination settlement payment").

The Company has recorded a liability for the present value of the annual payments through 2002. However, no liability was recognized related to the annual premium payable in Year 2003 through Year 2027 and the termination settlement payment if the contract is terminated in 2002.

The above transactions were entered into to hedge long-term bank loans of US\$341,636 thousand and accounts payable of US\$34,436 thousand.

- 2) Other forward exchange contracts to hedge foreign-currency accounts payable have expired as of December 31, 2000.

Exchange gain realized on forward exchange contracts at maturity was \$105 for year ended December 31, 2000.

b. European options

- 1) The Company expects to receive U.S. dollars from its export sales and to pay Japanese Yen and Euros for certain of its importation of materials, machinery and equipment. It has entered into foreign currency option contracts with banks to hedge exchange rate risks. As of December 31, 2000, the Company held the following European currency option contracts:

Contract	Amount (Thousand)	Strike Price		Maturity
		US\$/JPY	EUR/US\$	
Sell EUR Put	EUR 3,000	-	0.825~0.84	January 2001
Sell EUR Call	EUR 1,500	-	0.914	February 2001
Sell EUR Put	EUR 1,500	-	0.875	February 2001
Sell YEN Call	US\$ 2,800	103	-	February 2001
Sell YEN Put	US\$ 2,800	110	-	February 2001
Sell EUR Put	EUR 2,000	-	0.859	March 2001
Sell YEN Call	US\$ 3,000	100.5	-	March 2001
Sell YEN Put	US\$ 3,000	108.5	-	March 2001
Sell EUR Put	EUR 2,000	-	0.8745	April 2001
Sell YEN Call	US\$ 2,000	102	-	April 2001
Sell YEN Put	US\$ 2,000	109	-	April 2001
Sell YEN Call	US\$ 6,500	99.5~101	-	May 2001
Sell YEN Put	US\$ 6,500	110~115.5	-	May 2001
Sell EUR Call	EUR 1,000	-	1	June 2001
Sell YEN Call	US\$ 2,000	102	-	June 2001
Sell EUR Put	EUR 4,000	-	0.83~0.9	June 2001
Sell EUR Put	US\$ 1,100	-	0.9	June 2001
Sell YEN Put	US\$ 7,300	115~118	-	June 2001

c. Transaction risks

- 1) Credit risk. The banks with which the Company has entered into the above contracts are reputable and, therefore, management believes that the Company is not exposed to significant credit risks arising from probable default by such counter parties.
- 2) Liquidity and cash requirement. The cash flow requirements with respect to the Company's forward exchange contracts are limited to the periodic premium payments and the net differences of the contractual settlement rates. Options may not have to be exercised at all in cases where the strike price is higher than the related market price at the exercise date of a given option.
- 3) Market risk and hedge strategy. The Company is exposed to market risks arising from fluctuations in currency exchange rates due to U.S. Dollar denominated accounts receivable, Yen denominated accounts payable and U.S. Dollar denominated debt. In order to manage these exposures, the Company entered into forward contracts and option contracts. Its hedging strategy is to use financial instruments having negative correlation to fair value of the hedged items as hedging instruments and periodically evaluates the effectiveness of these instruments as hedges of its exposures.

d. Fair value of financial instruments

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 11,945,214	\$ 11,945,214	\$ 2,866,052	\$ 2,866,052
Pledged time deposits	332,300	332,300	379,960	379,960
Investments in mutual funds	1,115,351	1,129,012	2,227,013	2,244,944
Notes and accounts receivable from third party customers	2,437	2,437	102,354	102,354
Accounts receivable from related parties	2,445,985	2,445,985	5,500,425	5,500,425
Refundable deposits	10,045	10,045	70,999	70,999
<u>Liabilities</u>				
Short-term bank loans	23,000	23,000	325,132	325,132
Commercial paper	105,000	105,000	-	-
Accounts payable	950,825	950,825	855,632	855,632
Income tax payable	566,846	566,846	189,163	189,163
Other payables to related parties	56,583	56,583	19,103	19,103
Payable for properties	1,721,299	1,721,299	694,580	694,580
Long-term loans (including current portion)	12,401,330	12,401,330	16,963,581	16,963,581
Guarantee deposits	840	840	840	840

Fair values were determined as follows:

- 1) Short-term financial instruments - carrying values.

- 2) Investments in mutual funds - market values.
- 3) Long-term loans - forecasted cash flows discounted at present value, using interest rates of similar long-term liabilities. Fair values of long-term liabilities are their carrying values as they use floating interest rates.
- 4) Refundable and guarantee deposits - carrying values.

Only the fair values of certain non-derivative financial instruments are disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above is not equal to the fair value of the Company.

ChipMOS

The Company has entered into forward exchange contracts and foreign currency options for the year ended December 31, 2000, to hedge its exchange rate risk on foreign-currency assets or liabilities and anticipated transactions. Information on the derivative transactions is as follows:

a. Forward exchange contracts

The Company has no outstanding forward contracts as of December 31, 2000. The net exchange gain on forward exchange contracts was \$9,455 for the year ended December 31, 2000.

b. European options

- 1) The Company expects to receive U.S. dollars from its export sales and to pay Japanese yen for its importation of materials, machinery and equipment. It has entered into European foreign currency option contracts with banks to hedge exchange rate risks. As of December 31, 2000, the Company has the following European currency option contracts:

<u>Contract</u>	<u>Amount (Thousand)</u>	<u>Carrying Value (Thousand)</u>	<u>Fair Value (Thousand)</u>	<u>Strike Price</u>	<u>Maturity</u>
YEN Call Options held	US\$ 1,000	US\$ -	US\$ -	107.5 (US\$/JPY)	January 2001
YEN Put Options written	US\$ 1,000	US\$ -	US\$ 62	107.5 (US\$/JPY)	January 2001

The fair values of the various contracts are based on quotations from reputable financial institutions as of the balance sheet dates.

c. Transaction risks

- 1) Credit risk. The banks with which the Company has entered into the above contracts are reputable and, therefore, management believes that the Company is not exposed to significant credit risks arising from probable default by such counterparties.

- 2) Market risk and hedge strategy. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar denominated account receivable, Yen denominated accounts payable and U.S. dollar denominated debt. In order to manage these exposures, the Company entered into forward contracts and option contracts.
- 3) Liquidity and cash requirement. The cash flow requirements with respect to the Company's forward contracts are limited to the periodic premium payments and the net differences of the contracted settlement rates. On the other hand, options may not have to be exercised at all in cases where the strike price is higher than the related market price at exercise dates.

d. The estimated fair values of the Company's financial instruments are as follows:

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Value</u>	<u>Fair Value</u>	<u>Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Cash	\$ 1,184,985	\$ 1,184,985	\$ 145,309	\$ 145,309
Pledged time deposits	34,038	34,038	5,041	5,041
Short-term investments - net	2,048,207	2,048,210	788,009	788,009
Notes receivable	15,198	15,198	226,515	226,515
Accounts receivable	1,089,244	1,089,244	701,824	701,824
Receivables from related parties:				
Notes and accounts	871,234	871,234	1,233,343	1,233,343
Other	44,614	44,614	12,535	12,535
Long-term investment	280,330	267,523	150,093	221,780
Refundable deposits	44,609	44,609	29,967	29,967
<u>Liabilities</u>				
Bank loans	\$ 233,618	\$ 233,618	\$ 1,002,058	\$ 1,002,058
Accounts payable	216,588	216,588	170,628	170,628
Payables to related parties:				
Accounts	11,526	11,526	84,331	84,331
Other	3,010	3,010	3,367	3,367
Payable for properties	1,038,393	1,038,393	583,559	583,559
Long-term loans (including current portion)	3,001,750	3,001,750	2,634,000	2,634,000
Long-term bonds payable	1,200,000	948,341	-	-
Guarantee deposits	984	984	917	917

Fair values of financial instruments were determined as follows:

- 1) Short-term financial instruments - carrying values.
- 2) Short-term investments - market values.
- 3) Long-term investment - market value for listed companies and net equity value for the others.
- 4) Refundable deposits and guarantee deposits - carrying values.

- 5) Long-term liabilities – forecasted cash flows discounted at present value, using interest rates of similar long-term liabilities. Bonds payable are discounted at present value, using an annual interest rate of 5.95%. Other long-term liabilities are their carrying values as they use floating interest rates.

Vision2000

The Company has entered into forward exchange contracts to hedge the foreign currency exchange rate fluctuations of its bank loans (see notes 4 and 5).

Information on hedging transactions is as follows:

a. Forward exchange contracts

- 1) As of December 31, 2000, the Company has forward exchange contracts as follows: (a) with CSFBI whereby the Company will receive US\$50,000 thousand and will pay \$1,423,000 at the maturity date, and (b) with CSFB whereby the Company will receive US\$100,000 thousand and will pay \$2,846,000 at the maturity date. The forward exchange contracts also provide for: (a) payment by the Company every year of an amount equivalent to 7.825% and 7.8325% of the US\$50,000 thousand and US\$100,000 thousand, respectively, and (b) the contracts could be terminated early in Year 2002, but there was an option for the Company to allow these contracts to continue up to Year 2027. The Company is required to pay a significant amount of penalty fee if the contract is terminated early (the "termination settlement payment").

The Company has recorded a liability for the present value of the annual payments through 2002. The Company has not recognized any liability related to the annual premium payable in Year 2003 through Year 2027 and the termination settlement payment if the contract is terminated in 2002.

The above transactions were entered into to hedge long-term bank loans of US\$44,450 thousand.

- 2) Other forward exchange contracts to hedge foreign-currency accounts payable have expired as of December 31, 2000.

b. Transaction risks

- 1) Credit risk. The banks with which the Company has entered into the above contracts are reputable and, therefore, management believes that the Company is not exposed to significant credit risks arising from probable default by such counter parties.
- 2) Liquidity and cash requirement. The cash flow requirements with respect to the Company's forward contracts are limited to the periodic premium payments and the net differences of the contracted settlement rates.
- 3) Market risk and hedge strategy. The Company is exposed to market risks arising from changes in currency exchange rates due to its U.S. Dollar denominated debt. In order to manage these exposures, the Company entered into forward contracts.

c. Fair value of financial instruments

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	Carrying/ Notional		Carrying/ Notional	
	<u>Value</u>	<u>Fair Value</u>	<u>Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Cash	\$ 222,943	\$ 222,943	\$ 544,697	\$ 544,697
Investments in shares of stock	3,459,456	3,459,456	4,264,959	4,264,959
Receivables from related parties	79,112	79,112	667,361	667,361
<u>Liabilities</u>				
Bank loans	1,470,406	1,470,406	2,555,278	2,555,278
Payables to related parties	3,146,940	3,146,940	2,737,677	2,737,677
Long-terms loans (including current portion)	-	-	2,064,235	2,064,235

Fair values were determined as follows:

- a. Short-term financial instruments - carrying values.
- b. Long-term stock investments in carrying value.
- c. Long-term receivable and liabilities - carrying values.
- d. Long-term bank loans - forecasted cash flows discounted at present value, using interest rates of similar long-term liabilities. Fair values of long-term liabilities are their carrying values as they use floating interest rates.

Only the fair values of certain non-derivative financial instruments are disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above is not equal to the fair values of the Company.

25. SEGMENT FINANCIAL INFORMATION

- a. Industry: The Company has no business outside the semiconductor industry particularly the fabrication of integrated circuit products.
- b. Geographic information. The Company has no operations outside the Republic of China.

c. Export sales

<u>Geographic Area</u>	<u>2000</u>	<u>1999</u>
European	\$ 5,328,514	\$ 3,047,450
Northeast Asia	4,596,476	2,405,185
North America	3,992,904	2,980,751
Southeast Asia	2,323,263	3,279,380
Other	<u>25,793</u>	<u>25,568</u>
	<u>\$16,266,950</u>	<u>\$11,738,334</u>

d. Sales to customers representing at least 10% total sales.

<u>Customer</u>	<u>2000</u>		<u>1999</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
A	\$3,924,621	15	\$1,725,920	9
B	2,815,796	10	2,327,173	12

TABLE I

MOSEL VITELIC INC. AND NIVESTEES

FINANCING PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

No.	Financing Name	Counter-Party	Financial Statement Account	Financing Limit for Each Borrowing Company	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Reasons	Allowance for Bad Debt	Collateral		Transaction Amount	Financing Company's Financing Amount Limits
										Item	Value		
0	Mosel Vitelic Inc. (MVI)	MVC MVI PromOS PromOS ChipMOS PlusMOS Ultima SyncMOS	Other receivables Other receivables Prepaid rental Other receivables Other receivables Other receivables Other receivables Other receivables	(Note 1) (Note 1) (Note 1) (Note 1) (Note 1) (Note 1) (Note 1) (Note 1)	\$ 2,681 10,933 124,691 840 1,395 926 549 10,159	\$ 1,436 10,647 16,816 750 416 479 6,842	- - - - - - - -	Advance payment and other Advance payment and other Advance payment and other Advance payment and other Advance payment and other Advance payment and other Advance payment and other Advance payment and other	\$ - - - - - - - -	- - - - - - - -	\$ - - - - - - - -	Revenue \$ 2,633,691 Revenue 3,924,621 Revenue 24,938 Revenue 24,938 Revenue 194,582 Revenue 1,085,774 Revenue 1,461,888 Revenue -	(Note 2) (Note 2) (Note 2) (Note 2) (Note 2) (Note 2) (Note 2) (Note 2)
1	MVC	Vision2000 Vision2000	Account receivables - related parties Account receivables - related parties	- -	812,436 518,855	812,436 338,869	6.49% 6.01%~6.20%	Redemption of the papers at a floating rate Loan	- -	- -	- -	- -	- -
3	PromOS	MVI Infineon SAG ChipMOS MVI MVI	Other receivables Other receivables Other receivables Other receivables Prepaid rental Guarantee deposits	(Note 3) (Note 3) (Note 3) (Note 3) (Note 3) (Note 3)	8,973 1,179 4,058 67 3,370 9,685	4,676 424 645 - 3,370 9,685	- - - - - -	Advance payment and other revenue Advance payment Advance payment Advance payment and maintenance service fee Rental Guarantee for office rental	- - - - - -	- - - - - -	- - - - - -	Revenue 989,696 Revenue 15,310,926 Revenue 4,396,607 - Revenue 989,696 Revenue 989,696	(Note 4) (Note 4) (Note 4) (Note 4) (Note 4) (Note 4)
6	Vision2000	OTC Telecom Inc. Ark Logistics Inc.	Other receivables - related parties Other receivables - related parties	- -	3,346 34,393	3,308 7,929	- -	Loan Loan	- -	- -	- -	- -	- -
8	PlusMOS	Billion-Create ChipMOS	Other receivables - related parties Other receivables - related parties	(Note 5) (Note 5)	18,900 1,456	4,200 1,456	- -	Advance payment and other Advance payment and other	- -	- -	- -	Revenue 564,366 Revenue 1,774	(Note 5) (Note 5)
11	Layline Ltd.	Vision2000	Other receivables - related parties	-	3,467,746	1,995,635	-	Loan	-	-	-	-	-

Note 1: Not exceeding 20% (\$5,853,094) of the paid-in capital \$29,265,470 of the Company and not exceeding \$50,000 for each transaction entity.

Note 2: Not exceeding 20% (\$5,853,094) of the paid-in capital \$29,265,470 of the Company.

Note 3: Not exceeding \$50,000 for each transaction entity.

Note 4: Not exceeding 20% (\$5,416,048) of the paid-in capital \$27,080,238 of PromOS for each transaction entity.

Note 5: PlusMOS has not made regulations in financing provided to related parties.

TABLE 2

MOSEL VITELIC INC. AND NVESTES
 ENDORSEMENT/GUARANTEE PROVIDED
 For the Year Ended December 31, 2000
 (Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

No.	Collateral Provider	Counter Party		Limitation on Collateral	Maximum Balance for the Period	Ending Balance	Amount of Properties Guaranteed by Collateral	Percentage of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement	Amount Limited on Collateral
		Name	Nature of the Relationship						
0	MVI	MFI Vision2000 DGI Ultima	Subsidiary Subsidiary Subsidiary 20% of ownership	(Note 1) (Note 1) (Note 1) (Note 1)	\$ 4,732,980 5,033,821 250,000 2,400,000	\$ 4,732,980 2,359,649 - 2,400,000	\$ 3,007,046 US\$ 32,936 US\$ 49,582 - -	- - - -	(Note 2) (Note 2) (Note 2) (Note 2)
5	MFI	SPS	Investee	-	285,000	200,000	Credence	10.56%	-

Note 1: Not exceeding 120% (\$54,296,245) of the net equity \$45,246,871 of MVI for each transaction entity.

Note 2: Not exceeding 150% (\$67,870,307) of the net equity \$45,246,871 of MVI.

TABLE 3

MOSEL VITELIC INC. AND NVESTEEES

MARKETABLE SECURITIES HELD

December 31, 2000

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2000			
				Shares (Thousand)	Carrying Value	Percentage of Ownership Market Value or Net Asset Value	
MVI	ProMOS	48% of ownership	Investments in shares of stock	1,294,063	\$18,836,238	48	\$40,361,822
	MVC	Subsidiary	Investments in shares of stock	-	2,074,597	100	2,146,198
	MVJ	Subsidiary	Investments in shares of stock	-	45,324	100	45,324
	Vision2000	Subsidiary	Investments in shares of stock	99,000	(858,932)	100	(718,548)
	UMI	Subsidiary	Investments in shares of stock	1,112	103,068	100	98,080
	DGI	Subsidiary	Investments in shares of stock	99,994	602,001	100	602,001
	ChipMOS	45% of ownership	Investments in shares of stock	377,279	5,553,076	45	5,707,250
	PlusMOS	35% of ownership	Investments in shares of stock	42,000	179,636	35	179,636
	Taiwan Asia Pacific Venture Fund Ltd. (TAPVF)	Investee	Investments in shares of stock	115	28,035	4	28,423
	Precision Semi-Conductor Mask Co. (PSM)	Investee	Investments in shares of stock	2,300	23,000	1	17,607
	Ultima	20% of ownership	Investments in shares of stock	18,365	289,894	8	176,858
	Aplus Technology, Inc.	Investee	Investments in shares of stock	1,492	92,600	9	28,118
	NITC OTC Fund	-	Investment in mutual funds	3,000	30,060	-	12,630
	Ta Chong Bond Fund	-	Investment in mutual funds	11,039	122,266	-	125,596
	ABN AMRD Bond Fund	-	Investment in mutual funds	9,291	122,880	-	123,279
	Forever Fund	-	Investment in mutual funds	12,964	161,287	-	163,320
	TIIM Bond Fund	-	Investment in mutual funds	3,000	30,000	-	17,370
	Masterlink Asia-Pacific Fund	-	Investment in mutual funds	5,000	50,000	-	44,650
	Fubon Aggressive Growth Fund	-	Investment in mutual funds	2,500	25,075	-	11,975
	Yuan-Ta China Fund	-	Investment in mutual funds	5,000	50,050	-	27,450
	Forture Taiwan Bond Fund	-	Investment in mutual funds	4,147	53,314	-	54,378
	Union Bond Fund	-	Investment in mutual funds	6,800	72,000	-	72,280
ProMOS	CCR Management Fund	-	Investment in mutual funds	423	165,476	-	172,086
	Barits Bond Fund	-	Investment in mutual funds	11,020	115,479	-	117,382
	NITC Taiwan Bond Fund	-	Investment in mutual funds	4,651	57,000	-	57,185
	Ta Chong Bond Fund	-	Investment in mutual funds	1,808	20,000	-	20,568
	AIG Ju-Lun Bond Fund	-	Investment in mutual funds	27,957	311,000	-	312,415
	Fuh-Hwa Bond Fund	-	Investment in mutual funds	10,084	115,000	-	116,008
	Tai-Yu Bond Fund	-	Investment in mutual funds	5,687	58,247	-	58,517
	JF (Taiwan) Bond Fund	-	Investment in mutual funds	4,107	55,000	-	55,306
	Fuh-Hwa You-Li Bond Fund	-	Investment in mutual funds	2,412	25,000	-	25,487
	Wellpool Bond Fund	-	Investment in mutual funds	2,871	31,244	-	31,594

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2000		
				Shares (Thousand)	Carrying Value	Percentage of Ownership Market Value or Net Asset Value
DGI	MFI	Subsidiary	Long-term investment	99,994	\$ 529,080	100 \$ 523,111
Vision2000	OTC Telecom Inc.	Investee of 24% ownership	Long-term investment	2,268	87,648	24 41,314
	Integrated Memory Tech. Inc.	Investee of 21% ownership	Long-term investment	2,500	54,697	21 30,703
	Goal Electronics Inc.	Investee of 48% ownership	Long-term investment	1,575	50,236	48 21,031
	PCL Enterprise Holdings Ltd.	Investee of 32% ownership	Long-term investment	106,043	412,714	32 280,417
	Ark Logics Inc.	Subsidiary	Long-term investment	1,078,652	46,372	94 (2,983)
	Soft Device Inc.	Investee of 32% ownership	Long-term investment	7,518	99,462	32 11,474
	Advanced Analogics Technologies Inc.	Investee	Long-term investment	6,008	119,573	17 (Note)
	Herbert	Subsidiary	Long-term investment	-	2,688,994	100 2,705,282
	New Media Networking Corp.	Investee	Long-term investment	1,600	5,498	5 (Note)
	TVIA, Inc.	Investee	Long-term investment	667	41,160	3 (Note)
PlusMOS	Billion-Create	Subsidiary	Long-term investment	1,994	14,859	100 12,901
	Tiim High Yield Fund	-	Short-term investment	7,588	80,000	- 80,354
	President James Bond Fund	-	Short-term investment	1,338	18,000	- 18,080
	Tiim Bond Fund	-	Short-term investment	940	11,546	- 11,588
Herbert	Grousehill Layline	Subsidiary	Long-term investment	1	495,327	100 1,346
		Subsidiary	Long-term investment	1	2,148,535	100 2,054,885
Grousehill	MVI	Parent of Vision2000	Long-term investment	193	6,669	- 4,082
Layline	iMVI	Parent of Vision2000	Long-term investment	889	21,989	- 18,802
Land Mark	Nano-Architect Research Co.	-	Long-term investment	400	5,000	2 3,284
	PSM	-	Long-term investment	1,500	15,000	1 11,085
	FuPo Electronics Co.	-	Long-term investment	1,100	19,800	1 12,936
	Marktech International Co.	-	Long-term investment	236	20,060	1 9,433
	Advanced Analogic Technologies Incorporated - series B	-	Long-term investment	1,200	19,824	8 -
	Advanced Analogic Technologies Incorporated - series D	-	Long-term investment	600	24,646	3 -
	Wavesat Telecom Inc. - series C	-	Long-term investment	1,956	19,080	10 -
	Software 911, Inc. - series A-1	-	Long-term investment	133	6,123	3 -
	Virtual Silicon Technology, Inc. - series B	-	Long-term investment	400	30,845	7 -
	Tehtwell, Inc. - series C	-	Long-term investment	133	18,647	9 -
	Ark Logic, Inc.	-	Long-term investment	47,656	9,323	4 -

(Forward)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2000		
				Shares (Thousand)	Carrying Value	Percentage of Ownership
BDI	MVI	-	Short-term investment	2,000	\$ 95,550	-
	China Steel Corporation	-	Short-term investment	74	1,625	-
	CMC	-	Short-term investment	1	104	-
	Yeti Electronics Co., Ltd.	-	Short-term investment	314	4,390	-
	Acer Sertec, Inc.	-	Short-term investment	-	43	-
	Winbond Electronics Co.	-	Short-term investment	26	1,829	-
	Ultima	-	Short-term investment	3,783	96,965	-
	Grand Pacific Petrochemical	-	Short-term investment	2	33	-
	Yosun	-	Short-term investment	5	777	-
	Premire	-	Short-term investment	9	724	-
	PSM	-	Long-term investment	1,530	15,300	1
					\$	\$
						42,300
						1,456
						30
						1,796
						14
						831
						36,431
						16
						289
						411
						11,307

Note: Unlisted, no public market price to be compared.

TABLE 4

MOSEL VITELIC INC. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the Year Ended December 31, 2000

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount
MVI	ProMOS	Investments in shares of stock	-	-	1,030,477	\$16,463,655	271,419	\$ 87	7,833	\$ 838,810	1,294,063	\$18,836,238
	PlusMOS	Investments in shares of stock	PlusMOS	35% of ownership	-	-	42,000	420,000	-	-	42,000	179,636
	ChipMOS	Investments in shares of stock	ChipMOS	45% of ownership	300,592	3,439,719	76,687	1,463,640	-	-	377,279	5,553,076
	Ta Chong Bond Fund	Investment in mutual funds	-	-	-	-	66,811	740,000	55,772	630,000	11,039	122,266
	Grand Cathay Bond Fund	Investment in mutual funds	-	-	-	-	47,345	526,000	47,345	531,782	-	-
	JiH-Sun Bond Fund	Investment in mutual funds	-	-	26,552	300,590	34,235	400,000	60,787	706,821	-	-
	Kwang Hua Bond Fund	Investment in mutual funds	-	-	16,680	210,246	20,158	262,880	27,547	356,245	9,291	122,880
	Core Pacific Fund	Investment in mutual funds	-	-	-	-	19,196	255,000	19,196	255,623	-	-
	Core Pacific Well Pool Bond Fund	Investment in mutual funds	-	-	28,720	300,541	-	-	28,720	305,110	-	-
	JF (Taiwan) Bond Fund	Investment in mutual funds	-	-	16,411	210,235	18,404	242,000	34,815	457,122	-	-
	Asia Pacific Bond Fund	Investment in mutual funds	-	-	-	-	61,672	671,000	61,672	675,274	-	-
	Tiim Bond Fund	Investment in mutual funds	-	-	-	-	20,096	240,000	20,096	245,482	-	-
	Ntic Bond Fund	Investment in mutual funds	-	-	29,072	340,000	64,071	770,000	93,143	1,125,369	-	-
	Baritis Bond Fund	Investment in mutual funds	-	-	-	-	19,682	240,000	19,682	242,301	-	-
	ITF High-Yield Bond Fund	Investment in mutual funds	-	-	-	-	31,755	337,000	31,755	338,264	-	-
	President James Bond Fund	Investment in mutual funds	-	-	38,964	500,000	37,834	500,000	76,798	1,008,171	-	-
	Fubon Ju-It Fund	Investment in mutual funds	-	-	-	-	16,148	200,000	16,148	202,679	-	-
	Truswell Bond Fund	Investment in mutual funds	-	-	18,915	200,000	12,953	140,000	31,868	349,164	-	-
Forever Fund	Safe Income Bond Fund	Investment in mutual funds	-	-	-	-	30,920	390,000	30,920	392,758	-	-
	Forever Fund	Investment in mutual funds	-	-	25,139	300,547	63,878	787,000	76,053	937,067	12,964	161,287
	Union Bond Fund	Investment in mutual funds	-	-	8,914	90,000	25,176	264,000	27,290	287,817	6,800	72,000
	Fortune Taiwan Bond Fund	Investment in mutual funds	-	-	-	-	37,257	479,000	33,110	430,000	4,147	53,314

(Forward)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Gain (Loss) on Disposal	Shares (Thousand)
MVC	Vision2000 VHK	Long-term investment Long-term investment	DGI Champion Microelectronic	Parent is the same	29,700 980	\$ 539,040 137,816	- -	\$ - -	29,700 980	\$ 224,508 137,366	\$ 71,601 (76,151)	- -
ProMOS	Jih Sun Bond Fund	Investment in mutual funds	-	-	17,795	200,000	5,265	60,000	23,060	264,282	4,282	-
	James Bond Fund	Investment in mutual funds	-	-	7,844	100,000	10,623	142,000	18,467	244,872	2,872	-
	Asia Pacific Bond Fund	Investment in mutual funds	-	-	6,533	68,530	11,183	120,000	17,716	190,705	2,175	-
	Wan Tai Bond Fund	Investment in mutual funds	-	-	25,782	300,000	-	-	25,782	304,414	4,414	-
	Truswell Bond Fund	Investment in mutual funds	-	-	9,519	100,000	9,317	100,000	18,836	206,114	6,114	-
	Sheng Hua 1699 Bond Fund	Investment in mutual funds	-	-	18,601	190,000	8,658	90,000	27,259	285,224	5,224	-
	Safe Income Bond Fund	Investment in mutual funds	-	-	8,246	100,000	-	-	8,246	101,975	1,975	-
	Taiwan Bond Fund	Investment in mutual funds	-	-	14,540	179,800	5,269	68,000	19,809	251,890	4,090	-
	Shin-Kong Chi-Shin Bond Fund	Investment in mutual funds	-	-	7,583	90,000	3,716	45,000	11,299	137,579	2,579	-
	TIIM Bond Fund	Investment in mutual funds	-	-	5,561	64,608	16,734	203,000	22,295	270,430	2,822	-
	Return Fund	Investment in mutual funds	-	-	8,726	99,500	2,561	30,000	11,287	134,121	4,621	-
	AIG Ju-Lun Bond Fund	Investment in mutual funds	-	-	5,949	62,885	27,957	311,000	5,949	63,566	681	27,957
	Thoenix Bond Fund	Investment in mutual funds	-	-	6,006	74,000	2,347	30,000	8,353	106,107	2,107	-
	NTIC Taiwan Bond Fund	Investment in mutual funds	-	-	18,266	212,508	4,651	57,000	18,266	216,872	4,364	57,000
	Union Bond Fund	Investment in mutual funds	-	-	11,571	116,676	8,529	90,000	20,100	208,391	1,715	-
	Fuh-Hwa Bond Fund	Investment in mutual funds	-	-	-	-	38,506	430,000	28,422	317,181	2,181	115,000
	Baris Bond Fund	Investment in mutual funds	-	-	-	-	26,006	270,000	14,986	155,993	1,472	115,479
	Nile Bond Fund	Investment in mutual funds	-	-	-	-	2,258	315,000	2,258	315,000	634	-
	Grand Cathay Bond Fund	Investment in mutual funds	-	-	-	-	40,286	449,000	40,286	450,163	1,163	-
	Tai-Yu Bond Fund	Investment in mutual funds	-	-	-	-	28,802	291,000	23,115	235,754	3,001	58,247
	JF(Taiwan) Bond Fund	Investment in mutual funds	-	-	-	-	9,437	125,000	5,330	70,791	791	55,000
	CCR Management Fund	Investment in mutual funds	-	-	-	-	-	US\$ 5,002	-	-	-	US\$ 5,002

(Forward)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount		Shares (Thousand)	Amount
ChipMOS	Kwang Hua Bond Fund	Short-term investment	-	-	7,545	\$ 95,000	18,101	\$ 231,000	25,646	\$ 326,824	\$ 824	-	\$ -
	Home run Bond Fund	Short-term investment	-	-	8,594	100,000	123,480	1,470,810	132,074	1,578,736	7,926	-	-
	Grand Cathay Bond Fund	Short-term investment	-	-	-	-	78,884	882,216	64,624	724,243	4,129	14,260	162,102
	AIG Bond Fund	Short-term investment	-	-	-	-	40,047	446,763	20,023	223,763	763	20,024	223,763
	Masterlink Bond Fund	Short-term investment	-	-	-	-	26,158	322,630	26,158	322,630	2,594	-	-
	Jih-Sun Bond Fund	Short-term investment	-	-	-	-	58,664	693,592	36,900	437,331	3,261	21,764	259,261
	Fortune Taiwan Bond Fund	Short-term investment	-	-	7,202	90,000	151,283	1,940,392	140,280	1,800,425	8,750	18,205	238,717
	Asia Pacific Bond Fund	Short-term investment	-	-	-	-	105,366	1,148,095	87,760	957,757	5,479	17,606	195,817
	J. F. (Taiwan) First Bond Fund	Short-term investment	-	-	-	-	49,914	606,408	42,836	519,590	1,384	7,078	88,202
	First Global Wantai Assets	Short-term investment	-	-	2,659	31,136	23,381	277,546	26,040	311,057	2,375	-	-
	Income Fund	Short-term investment	-	-	7,173	86,000	16,541	200,000	23,714	287,755	1,755	-	-
	Forever Fund	Short-term investment	-	-	3,641	38,092	72,414	779,850	73,692	796,898	4,956	2,363	26,000
	Core Pacific Well Pool Bond Fund	Short-term investment	-	-	2,645	33,149	28,152	356,000	30,797	390,600	1,451	-	-
	China Money Management Securities Investment Trust Fund	Short-term investment	-	-	8,304	90,000	51,274	572,557	59,578	666,421	3,864	-	-
	Ta Chong Bond Fund	Short-term investment	-	-	9,758	102,215	143,763	1,518,163	142,901	1,512,270	8,581	10,620	114,689
MFI	Sheng Hua 1699 Bond Fund	Short-term investment	-	-	-	-	83,054	1,040,646	80,845	1,017,687	5,418	2,209	28,377
	Safe Income Bond Fund	Short-term investment	-	-	-	-	150,252	1,816,824	132,311	1,604,634	8,998	17,941	221,188
	Tiim Bond Fund	Short-term investment	-	-	-	-	29,142	406,790	29,356	306,790	3,625	9,786	103,625
	Tiim High Yield Fund	Short-term investment	-	-	9,915	100,000	129,916	1,348,033	120,615	1,252,133	8,358	19,216	204,258
	Union Bond Fund	Short-term investment	-	-	-	-	8,471	100,000	8,471	100,145	145	-	-
	Masterlink Return Fund	Short-term investment	-	-	-	-	76,510	777,542	58,803	600,192	4,858	17,707	182,208
	Tai-yu Long River Bond Fund	Short-term investment	-	-	-	-	36,581	401,236	36,581	406,663	2,427	-	-
	Trustwell Bond Fund	Short-term investment	-	-	-	-	40,050	496,149	40,050	499,166	3,017	-	-
	Shin-Kong Chi-Shin Fund	Long-term investment	-	-	-	-	30,000	300,000	-	-	-	30,000	128,311
	PlusMOS - stock	Long-term investment	-	-	-	-	-	-	-	-	-	-	-
	MVI stock	Short-term investment	-	-	1	34	198,288	9,244,947	116,014	6,814,424	193,668	82,275	2,624,225
	ProMOS - stock	Short-term investment	-	-	-	19	61,086	2,611,540	31,409	1,329,496	(182,725)	29,677	1,099,338
	MV1-convertible bonds 2	Short-term investment	-	-	-	-	12,505	2,596,752	10,986	2,127,774	(171,507)	1,519	297,471
	Ultima - stock	Long-term investment	-	-	14,126	194,600	5,943	145,902	1,100	35,179	19,023	18,969	336,378
	MV1 - bond	Long-term investment	-	-	-	-	200 sheets	203,348	-	-	-	200 sheets	203,348
Vision2000	IT High-Yield Bond Fund	Short-term investment	-	-	-	-	50,956	628,000	50,956	628,992	992	-	-
	Grand Cathay Bond Fund	Short-term investment	-	-	-	-	19,303	212,000	19,303	212,368	368	-	-
	Yuan-Ta Duofu-2 Bond Fund	Short-term investment	-	-	-	-	33,182	412,000	33,182	412,519	519	-	-
	China Money Mgm't Securities Investment Trust Fund	Short-term investment	-	-	-	-	21,516	273,000	21,516	274,622	1,622	-	-
DGI	Nic Taiwan Bond Fund	Short-term investment	-	-	11,276	132,000	70,399	833,000	81,675	968,228	3,228	-	-
	Nic Bond Fund	Short-term investment	-	-	850	116,327	15,468	2,157,000	15,556	2,173,152	9,825	762	110,000
	MFI	Long-term investment	DGI	Subsidiary of MVI	29,700	553,926	-	-	29,700	297,000	140,383	-	-
DGI	Ark Logics Inc. Advanced Analogic Technologies	Long-term investment	Ark Logics Inc. Advanced Analogic Technologies	Subsidiary Investee of 17% ownership	20,411	47,416	1,058,241	35,688	-	-	-	1,078,652	46,372
	MFI	Advance receipts for common stock	MVC and Vision2000	Subsidiary of MVI	6,008	(2,267)	-	121,840	-	-	-	6,008	119,573
DGI	MFI	Long-term investment	MVC and Vision2000	Subsidiary of MVI	40,594	766,269	59,400	594,000	-	-	-	99,994	529,080

(Forward)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount
PlusMOS	First Global Wantal Assets Income Fund	Short-term investment	-	-	-	\$ -	29,037	\$ 345,000	29,037	\$ 347,201	-	\$ -
	Fortune Taiwan Bond Fund	Short-term investment	-	-	-	-	51,601	656,000	51,601	659,207	-	-
	Ta Chong Bond Fund	Short-term investment	-	-	-	-	36,749	403,000	36,749	405,533	-	-
	Tiim Bond Fund	Short-term investment	-	-	-	-	37,581	456,000	36,641	444,454	940	11,546
	Tiim High Yield Fund	Short-term investment	-	-	-	-	9,530	100,000	1,942	20,120	7,588	80,000
Layline	MVI	Short-term investment	-	-	43,787	1,212,690	95	-	43,786	3,205,147	889	21,989
BDI	MVI	Short-term investment	-	-	1	37	4,829	280,977	2,830	189,609	2,000	95,550
	MVI - Bond II	Short-term investment	-	-	-	-	508	108,364	508	109,748	-	-
	China Steel Co.	Short-term investment	-	-	1,000	23,232	4,074	89,527	5,000	104,318	74	1,625
	PromOS - stock	Short-term investment	-	-	-	-	4,965	354,752	4,965	353,932	-	-
	Ultima - stock	Short-term investment	-	-	-	-	7,056	278,521	3,273	174,184	-	-
	Nile Bond Fund	Short-term investment	-	-	924	127,015	2,468	345,000	3,392	471,089	3,783	96,965
	Nile Taiwan Bond Fund	Short-term investment	-	-	1,709	20,000	8,675	103,000	10,384	123,496	-	-
	MGMT Fund	Short-term investment	-	-	-	-	9,819	124,000	9,819	124,820	-	-
	High Yield Securities	Short-term investment	-	-	-	-	-	-	-	-	-	-
	Investment Trust Fund	Short-term investment	-	-	-	-	12,046	148,000	12,046	148,491	-	-

Note1: The ending balance included the recognition of the investment income (loss) by the equity method and the accumulated translation adjustments.

MOSEL VITELIC INC. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the Year Ended December 31, 2000

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
MVI	MVC	Subsidiary	Sales	\$ 2,663,691	10	Net 60 days from monthly closing date	Note 19	\$ 76,149	2.00	-
	MVJ	Subsidiary	Sales	3,924,621	15	Net 60 days from monthly closing date	Note 19	1,663,670	51.00	-
	ChipMOS	45% of ownership	Sales	194,582	1	Net 60 days from monthly closing date	Note 19	-	-	-
	Ultima	20% of ownership	Sales	1,461,888	5	7 days after shipment dates/net 30 days from monthly closing date	Note 19	129,866	4.00	-
	PlusMOS	35% of ownership	Sales	1,085,774	4	7 days after shipment dates	Note 19	28	-	-
ProMOS	Billion>Create	60% of indirect equity interest	Sales	283,878	1	30 days after shipment dates	Note 19	-	-	-
	ProMOS	48% of ownership	Purchase	942,727	6	60 days after shipment dates	Note 19	(258,212)	(9.00)	-
	ChipMOS	45% of ownership	Subcontract expenses	4,026,532	41	60 days after shipment dates	Note 19	(687,241)	(24.00)	-
	ProMOS	48% of ownership	Sales	24,938	-	60 days after shipment dates	Note 19	690	-	-
	MVC	Parent Company	Purchase	3,070,557	100	Net 60 days from monthly closing date	Note 19	(77,585)	(85.00)	-
MVJ	Parent Company	Purchase	-	3,915,172	100	Net 60 days from monthly closing date	Note 19	(1,665,752)	100.00	-
ProMOS	SAG	Owns 33% of ProMOS	Sales	4,396,607	21	60 days after shipment dates	Note 19	-	-	-
	MVI	Owns 48% of ProMOS	Sales	989,696	5	60 days after shipment dates	Note 19	263,233	11.00	-
	Infincon	director and supervisors	Sales	15,310,926	74	60 days after shipment dates	Note 19	2,182,752	89.00	-
ChipMOS	MVI	Owns 45% of ChipMOS	Sales	4,054,724	49	Note 19	Note 19	690,003	35.00	-
	MVI	Owns 45% of ChipMOS	Purchase	192,708	10	Note 19	Note 19	-	-	-
	Billion>Create	Subsidiary of PlusMOS	Sales	278,917	3	Some as those with non-related parties	Some as those with non-related parties	3,219	-	-
Ultima	Investee	Sales	893,835	11	Net 30 days from monthly closing date	Net 30 days from monthly closing date	120,189	6.00	-	
PlusMOS	MVI	Owns 35% of PlusMOS	Purchase	1,085,774	33.42	7 days after arrival	Note 19	28	(0.03)	-
	Billion>Create	Subsidiary	Purchase	318,000	9.78	Net 30 days from monthly closing date	Note 19	769	(0.71)	-

MOSEL VITELJC INC. AND INVESTIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
December 31, 2000

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
MVI	MVI Ultima	Subsidiary 20% of ownership	\$ 1,663,670	2.99	\$ 902,451	Accelerate demand on account receivables	\$ 660,512	-
			129,866	21.82	-	-	73,834	-
ProMOS	MVI Infineon	Owns 48% of ProMOS Director and supervisor	263,233	6.99	-	-	201,598	-
			2,182,752	14.03	-	-	1,473,326	-
ChipMOS	MVI Ultima	Owns 45% of ChipMOS Investee	690,003	4.23	-	-	419,444	-
			120,189	3.71	-	-	22,310	-
							\$	

MOSEL VITELIC INC. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
For the Year Ended December 31, 2000
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2000		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2000	Dec. 31, 1999	Shares (Thousand)	Percentage of Ownership			
MVI	MVC	California U.S.A.	Research, design, develop, manufacture and distribute related IC products.	\$ 2,790,332	\$ 2,790,332	-	100	(\$ 250,194)	(\$ 250,194)	-
	MVJ	Japan	To sell, import and export the semiconductor IC and electronic components	2,429	2,429	-	100	97,953	97,953	-
	Vision2000	Grand Cayman	Holding company	99,000	99,000	99,000	100	849,572	849,572	-
	UMI	Colorado U.S.A.	Develop of prototype integrated circuits and service generated	118,084	118,084	1,112	100	(8,450)	(12,744)	Note 1
	DGI	Taipei, Taiwan	Investment and holding company	1,000,000	1,000,000	99,994	100	602,001	(831,121)	-
	ProMOS	Hsin-Chu, Taiwan	Research, design, develop, manufacture and distribute related IC products.	10,280,001	10,358,740	1,294,063	48	18,836,238	2,837,341	-
	ChipMOS	Hsin-Chu, Taiwan	Testing and assembly related IC products	3,817,344	2,353,704	377,279	45	1,539,021	779,753	-
	PlusMOS	Chupeil, Taiwan	Manufacture, design and sale of DRAM modules	420,000	-	42,000	35	(686,755)	(240,364)	-
	Ultima	Taipei, Taiwan	Research, development, manufacture and sale of DRAM modules	254,442	159,994	18,365	8	289,894	12,904	Note 2
	ChipMOS Japan Inc.	Tokyo, Japan	Research and development, and testing of integrated circuits	2,699	2,699	-	100	(2,467)	685	Subsidiary
MFI	ChipMOS U.S.A. Inc.	Sunnyvale U.S.A.	Research and development, and testing of integrated circuits	3,088	-	50	100	(12,886)	(12,886)	Subsidiary
	PlusMOS	Chupeil, Taiwan	Manufacture, design and sale of DRAM modules	300,000	-	30,000	25	128,311	(686,755)	Investee
	Billion-Creat	Hsin-Chu, Taiwan	Manufacture, design and sale of DRAM modules	22,233	-	1,994	100	14,859	(9,981)	Subsidiary of investee
	SFS	Taipei, Taiwan	Securities company, underwriter and broker	555,893	400,000	58,995	49	626,569	(5,597)	-
	BDI	Taipei, Taiwan	Investment and holding company	179,940	179,940	17,994	100	96,812	(129,864)	Subsidiary
	SFI	Taipei, Taiwan	Investment advisory company	30,000	30,000	3,000	60	31,817	3,009	Subsidiary
	Land Mark	Taipei, Taiwan	Joint venture company	280,000	60,000	28,000	56	281,324	(523)	Subsidiary
	Ultima	Taipei, Taiwan	Research, development, manufacture and sale of DRAM modules	324,346	194,600	18,969	9	336,378	36,055	-
	PlusMOS	Chupeil, Taiwan	Manufacture, design and sale of DRAM modules	157,714	-	15,767	13	67,475	(686,755)	-
	Mou-Jui	Taipei, Taiwan	Business consulting firm	29,940	-	2,994	100	30,486	547	Subsidiary
DGI	MFI	Taipei, Taiwan	Investment and holding company	999,940	405,940	99,994	100	529,080	(1,638,448)	-

(Forward)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2000		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2000	Dec. 31, 1999	Shares (Thousand)	Percentage of Ownership			
Vision2000	OTC Telecom Inc.	U.S.A	A Wireless Ethernet Lan design house	\$ 71,763	\$ 71,763	2,268	24	\$ 87,648	(\$ 8,929)	-
	Integrated Memory Tech, Inc.	U.S.A	Flash memory design house	44,753	44,753	2,500	21	54,697	(11,405)	-
	Goal Electronics Inc.	Canada	Develop of prototype integrated circuits and service generated	100,846	85,529	1,575	48	50,236	(16,603)	-
	PCL Enterprise Holdings Ltd.	Hong Kong	Holding company	483,970	483,970	106,043	32	412,714	(3,244)	-
Herbert	Ark Logistics Inc.	U.S.A.	Graphic controller design house	181,209	145,521	1,078,652	94	46,372	(42,122)	-
	Soft Device Inc.	U.S.A.	SRAM design house	164,651	164,651	7,518	32	99,462	(6,890)	-
	Herbert	British Virgin Islands	Investment company	1,248,473	3,574,200	-	100	2,688,994	2,127,665	-
	Groushill Layline	British Virgin Islands	Investment company	594,705	1,137,841	1	100	495,327	57,856	-
				70,023	2,671,519	1	100	2,148,535	2,154,132	-

Note 1: The recognized gain or loss includes the amortization of \$4,294 of the difference between the costs of the investment and MVI's proportionate share in the net assets of the investee at the acquisition date.

Note 2: The recognized gain or loss includes the amortization of \$9,927 of the difference between the costs of the investment and MVI's proportionate share in the net assets of the investee at the acquisition date.