

CONSOLIDATED FINANCIAL REVIEW

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of United Microelectronics Corporation,

We have audited the accompanying consolidated balance sheet of United Microelectronics Corporation and Subsidiaries as of December 31, 2000, and the related consolidated statements of income, change in shareholders' equity and cash flows for the year then ended. 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 UMC Group (USA), a wholly-owned subsidiary, and Nippon Foundry Inc., a 51.74% owned subsidiary, which statements reflect total assets of NT\$10,171 million and NT\$25,759 million, respectively, as of December 31, 2000, and total revenues of NT\$43,491 million and NT\$10,542 million, respectively, for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UMC Group (USA) and Nippon Foundry Inc., are based solely on the reports of the other auditors. As described in Note 4(6) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on the 2000 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NT\$320 million for the year ended December 31, 2000, and the related long-term investment balance of NT\$9,376 million as of December 31, 2000, which were included in the financial statements, are also based solely on the reports of the other auditors. The consolidated financial statements of United Microelectronics Corporation and Subsidiaries as of December 31, 1999 were audited by other auditors, whose report dated February 5, 2000.

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

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation and Subsidiaries as of December 31, 2000, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles in the Republic of China.



January 17, 2001

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position and 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.

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

	2000	1999
Current Assets		
Cash and cash equivalents (2,4(1))	\$ 62,756,673	\$ 26,802,435
Marketable securities (2,4(2))	—	449,134
Notes receivable (4(3))	296,032	1,426,677
Notes receivable - related parties (5)	189,545	156,984
Accounts receivable (2,4(4))	16,237,479	3,173,899
Accounts receivable - related parties (2,5)	3,623,787	2,241,783
Other receivables (2,4(16))	1,344,417	797,119
Other receivables - related parties (2,5)	111,006	491,831
Inventories (2,4(5))	10,790,577	3,058,579
Prepaid expenses	536,759	148,664
Deferred income tax assets-current (2,4(16))	1,154,801	507,251
Other current assets	5,759	494,764
Subtotal	97,046,835	39,749,120
Funds and Long-term Investments (2,4(6))		
Long-term investments	41,526,766	58,831,564
Prepaid long-term investments	256,960	1,073,620
Allowance for loss on decline of long-term investments	(13,807,915)	(339,965)
Subtotal	27,975,811	59,565,219
Property, Plant and Equipment (2,4(7),6,7)		
Land	1,805,241	1,510,704
Buildings	13,010,416	10,158,104
Machinery and equipment	188,973,848	46,269,641
Transportation equipment	59,967	39,385
Furniture and fixtures	1,435,473	1,170,766
Leasehold improvements	91,318	78,472
Total Cost	205,376,263	59,227,072
Less : Accumulated depreciation	(62,621,111)	(24,977,088)
Plus : Construction in progress and prepayments	20,660,283	9,470,354
Net	163,415,435	43,720,338
Intangible Assets (2)		
Trademarks	1,028	1,262
Patents	14	215
Others	466,867	441,340
Subtotal	467,909	442,817
Other Assets		
Leased assets	212,911	156,758
Idle assets (2)	24	26,917
Deposits out	322,860	58,969
Deferred assets (2)	1,803,220	469,621
Deferred income tax assets - noncurrent (2,4(16))	3,816,370	1,746,086
Others	527,729	2,433,605
Restricted deposits (6)	2,660,800	—
Subtotal	9,343,914	4,891,956
Total Assets	\$ 298,249,904	\$ 148,369,450

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

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

In thousand NTD

	2000	1999
Current Liabilities		
Short-term loans (4(8))	\$ 3,968,550	\$ 7,469,725
Notes Payable	410,733	1,633,587
Accounts payable	9,153,914	4,790,392
Accounts payable - related parties (5)	323,695	484,071
Income tax payable (2,4(16))	803,933	526,882
Accrued expenses (7)	4,017,901	1,758,446
Other payables	12,442,367	5,474,472
Current portion of long-term loans (4(10), 5)	9,212,111	2,355,555
Current portion of capacity deposit (7)	1,256,420	—
Other current liabilities	517,656	156,863
Subtotal	42,107,280	24,649,993
Long-term Liabilities		
Bonds payable (2,4(9))	3,990,000	4,990,776
Long-term loans (4(10), 5)	31,543,951	5,703,909
Subtotal	35,533,951	10,694,685
Other Liabilities		
Accrued pension liabilities (2,4(11))	1,083,895	492,055
Capacity deposits and other deposits (7)	1,833,832	519
Minority Interest	9,153,591	9,897,636
Others	128,356	14,736
Subtotal	12,199,674	10,404,946
Total Liabilities	89,840,905	45,749,624
Shareholders' Equity		
Capital (4(12))		
Common stock	114,714,519	66,549,966
Capital reserve		
Premiums	41,582,503	14,089,776
Gain on disposal of property, plant and equipment	170,473	40,711
Change in equities of long-term investments	23,255,638	22,705,546
Excess from consolidation	17,152,454	—
Retained earnings		
Legal reserve	5,625,234	4,579,516
Unappropriated earnings (4(14))	50,759,921	11,130,347
Unrealized loss on long-term investments (2,4(6))	(13,804,227)	(319,448)
Cumulative translation adjustment (2,4(6))	24,202	535,234
Treasury stocks (2,4(13))	(31,071,718)	(16,691,822)
Total Shareholders' Equity	208,408,999	102,619,826
Total Liabilities and Shareholders' Equity	\$ 298,249,904	\$ 148,369,450

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

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999

In thousand NTD, except for earnings per share

	2000	1999
Operating Revenues (2,5)		
Sales revenue	\$ 115,429,323	\$ 32,840,737
Less : Sales returns and allowances	(1,934,402)	(786,566)
Net Sales	113,494,921	32,054,171
Other operating revenues	2,114,418	1,680,680
Net Operating Revenues	115,609,339	33,734,851
Cost of goods sold (5)	(54,712,570)	(23,758,819)
Other operating costs	(2,349,625)	(1,069,578)
Operating Costs	(57,062,195)	(24,828,397)
Gross Profit	58,547,144	8,906,454
Unrealized intercompany profit (2)	(164,123)	(101,023)
Realized intercompany profit (2)	(184,727)	94,252
Realized Gross Profit	58,198,294	8,899,683
Operating Expenses		
Selling expenses	(1,153,160)	(406,885)
Administrative expenses	(3,195,464)	(1,288,452)
Research and development expenses	(6,306,273)	(3,130,425)
Subtotal	(10,654,897)	(4,825,762)
Operating Income	47,543,397	4,073,921
Non-operating Income		
Interest income	2,018,926	1,197,309
Investment income (2,4(6))	1,726,345	2,716,633
Gain on disposal of property, plant and equipment (2)	372,938	190,950
Gain on disposal of investment (5)	588,202	3,737,357
Exchange gain	2,922,412	207,399
Lease income	115,186	263,333
Other income	711,395	15,591,521
Subtotal	8,455,404	23,904,502
Non-operating Expenses		
Interest expense (5)	(2,367,401)	(1,081,841)
Loss on disposal of property, plant and equipment	(273,238)	(3,072,392)
Inventory loss (2)	(610,327)	(305,008)
Banking charges	(306,387)	(238,797)
Depreciation and loss on idle assets (2)	(61,797)	(372,481)
Other losses	(50,493)	(649,164)
Subtotal	(3,669,643)	(5,719,683)
Income Before Income Taxes and Minority Interest	52,329,158	22,258,740
Income Tax Benefit (Expense) (2,4(16))	91,062	(828,964)
Net Income Before Minority Interest	52,420,220	21,429,776
Minority Interest in Income	(1,639,842)	(10,931,884)
Net Income	\$ 50,780,378	\$ 10,497,892
Earnings Per Share		
Net Income (in NTD) (2,4(15))	\$ 4.72	\$ 1.37

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2000 and 1999

<i>In thousand NTD</i>	Capital Stock	Treasury Stock	Certificates Exchangeable for Common Shares	Capital Reserve	Legal Reserve	Unappropriated Earnings	Unrealized Loss On Long-term Investments	Cumulative Translation Adjustment	Total
Balance as of January 1, 1999	\$ 55,382,695	\$ (4,584,697)	\$ 35,318	\$ 12,869,484	\$ 4,140,512	\$ 4,450,744	\$ (443,534)	\$ 101,530	\$ 71,952,052
Appropriation of 1998 earnings:									
Appropriation for legal reserve	—	—	—	—	439,004	(439,004)	—	—	—
Stock dividends	2,780,469	—	—	—	—	(2,780,469)	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	—	(35,040)	—	—	(35,040)
Capitalization of employees' bonus	241,780	—	—	—	—	(241,780)	—	—	—
Capitalization of capital reserve	5,560,939	—	—	(5,560,939)	—	—	—	—	—
Net income for 1999	—	—	—	—	—	10,497,892	—	—	10,497,892
Transfer of gain from disposal of property, plant and equipment to capital reserve	—	—	—	40,711	—	(40,711)	—	—	—
Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve	—	—	—	454	—	(454)	—	—	—
Conversion of convertible bonds issued	2,584,083	—	(35,318)	7,216,438	—	—	—	—	9,765,203
Adjustment of capital reserve and retained earnings accounted for under equity method	—	—	—	22,269,885	—	(280,831)	—	—	21,989,054
Unrealized loss on long-term investments	—	—	—	—	—	—	(268,988)	—	(268,988)
Unrealized loss on long-term investments of investee companies	—	—	—	—	—	—	393,074	—	393,074
Cumulative translation adjustment	—	—	—	—	—	—	—	433,704	433,704
Treasury stock due to consolidation	—	(12,107,125)	—	—	—	—	—	—	(12,107,125)
Balance as of December 31, 1999	\$ 66,549,966	\$ (16,691,822)	\$ —	\$ 36,836,033	\$ 4,579,516	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ 102,619,826

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the Years Ended December 31, 2000 and 1999

<i>In thousand NTD</i>	Capital Stock	Treasury Stock	Certificates Exchangeable for Common Shares	Capital Reserve	Legal Reserve	Unappropri- ated Earnings	Unrealized Loss On Long-term Investments	Cumulative Translation Adjustment	Total
Balance as of January 1, 2000	\$ 66,549,966	\$ (16,691,822)	\$ —	\$ 36,836,033	\$ 4,579,516	\$ 11,130,347	\$ (319,448)	\$ 535,234	\$ 102,619,826
Stock issuance at January 3, 2000 for acquisition	23,836,503	—	—	17,152,454	—	—	—	(1,083)	40,987,874
Appropriation of 1999 earnings:									
Appropriation for legal reserve	—	—	—	—	1,045,718	(1,045,718)	—	—	—
Stock dividends	9,049,268	—	—	—	—	(9,049,268)	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	—	(95,737)	—	—	(95,737)
Capitalization of employees' bonus	786,893	—	—	—	—	(786,893)	—	—	—
Capitalization of capital reserve	9,049,269	—	—	(9,049,269)	—	—	—	—	—
Purchase of treasury stock	—	(1,479,064)	—	—	—	—	—	—	(1,479,064)
Net income for 2000	—	—	—	—	—	50,780,378	—	—	50,780,378
Transfer of gain from disposal of property, plant and equipment to capital reserve	—	—	—	170,473	—	(170,473)	—	—	—
Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve	—	—	—	2,715	—	(2,715)	—	—	—
Conversion of convertible bonds issued	942,620	—	—	2,486,512	—	—	—	—	3,429,132
Adjustment of capital reserve and retained earnings accounted for under equity method	—	—	—	547,377	—	—	—	—	547,377
Unrealized loss on long-term investments	—	—	—	—	—	—	(1,194,849)	—	(1,194,849)
Unrealized loss on long-term investments of investee companies	—	—	—	—	—	—	(12,289,930)	—	(12,289,930)
Shares issued for American Depository Receipts	4,500,000	—	—	34,014,773	—	—	—	—	38,514,773
Cumulative translation adjustment	—	—	—	—	—	—	—	(509,949)	(509,949)
Treasury stock due to consolidation	—	(12,900,832)	—	—	—	—	—	—	(12,900,832)
Balance as of December 31, 2000	\$ 114,714,519	\$ (31,071,718)	\$ —	\$ 82,161,068	\$ 5,625,234	\$ 50,759,921	\$ (13,804,227)	\$ 24,202	\$ 208,408,999

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000 and 1999

In thousand NTD

	2000	1999
Cash flows from operating activities:		
Net income	\$ 50,780,378	\$ 10,497,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest in income	1,639,842	10,931,884
Depreciation and amortization	25,580,033	6,598,076
Provision for doubtful accounts	52,940	25,469
Recovery from decline in market value of marketable securities	—	(392,938)
Provision for loss on obsolescence of inventories	610,327	258,244
Long-term investment income accounted for under equity method	(2,077,487)	(3,056,545)
Loss on decline in market value of long-term investments	414,560	500,138
Gain on disposal of investments	(588,202)	(3,737,357)
Loss on disposal of property, plant and equipment (including idle assets)	(37,904)	3,324,312
Forfeited interest on converted bonds	74,313	323,634
Profit due to cancellation of debt	—	(14,692,252)
Changes in assets and liabilities:		
Notes receivable	1,394,574	(1,227,481)
Accounts receivable	(7,426,562)	(2,898,166)
Other receivable	(373,817)	(632,988)
Inventories	(6,428,624)	1,746,946
Prepaid expenses	(352,588)	(212,100)
Other current liabilities	(39,508)	(83,041)
Deferred income tax assets	(7,239)	204,614
Notes payable	(59,309)	—
Accounts payable	156,576	1,199,800
Income tax payable	(18,625)	464,654
Accrued expenses	1,803,592	1,547,031
Other liabilities	(119,688)	—
Compensation interest payable	(11,494)	243,645
Accrued pension liabilities	462,623	138,174
Capacity deposits	3,083,578	—
Other current assets	(87,329)	22,288
Net cash provided by operating activities	68,424,960	11,093,933
Cash flows from investing activities:		
Marketable securities	1,838,352	3,891,617
Acquisition of long-term investments	(10,041,492)	(19,988,766)
Proceeds from disposal of long-term investments	1,742,171	5,231,357
Acquisition of property, plant and equipment	(83,482,670)	(19,047,047)
Proceeds from disposal of property, plant and equipment	1,509,680	1,229,019
Withdrawal of prepayments for long-term investments	1,000,000	—
Increase in deferred assets	(2,579,618)	(279,311)
(Increase) decrease in other assets	(231,642)	141,467
Cash proceeds from merger	19,162,146	8,251,090
Net cash used in investing activities	(71,083,073)	(20,570,574)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

In thousand NTD

	2000	1999
Cash flows from financing activities:		
Increase in restricted deposits	\$ (2,660,800)	\$ (266,675)
(Decrease) increase in short-term loans, net	(7,111,095)	5,375,494
Proceeds from long-term loans	9,423,941	2,150,000
Repayment for long-term loans	(6,681,765)	(2,579,497)
Proceeds from bonds issued	6,896,000	1,547,000
Proceeds from issuance of American Depositary Shares	38,514,773	—
Redemption of bonds	(33,015)	(1,635)
Cash payment for fraction of one share arising from bonds conversion	(4)	(18)
Increase (decrease) in deposits-in	608	(339)
Purchase of treasury stock	(1,479,064)	990,070
Directors' and supervisors' remuneration paid	(95,737)	(35,040)
Proceeds from minority shareholders on stock issue for cash	1,976,031	1,923,762
Net cash provided by financing activities	38,749,873	9,103,122
The effect of applying various exchange rates	(137,522)	377,157
Net increase in cash and cash equivalents	35,954,238	3,638
Cash and cash equivalents at the beginning of year	26,802,435	26,798,797
Cash and cash equivalents at the end of year	\$ 62,756,673	\$ 26,802,435
Supplemental disclosures of cash flow information		
Cash paid for interest (excluding interest capitalized)	\$ 2,155,932	\$ 522,861
Cash paid for income tax	\$ 436,766	\$ 159,907
Investing activities partially paid by cash		
Acquisition of property, plant and equipment	\$ 86,325,850	\$ 22,252,311
Add: Payable at the beginning of year	7,099,954	972,802
Add: Increase on payable from consolidation	4,048,315	—
Less: Payable at the end of year	(13,991,449)	(4,178,066)
Cash paid for acquiring property, plant and equipment	\$ 83,482,670	\$ 19,047,047
Cash proceeds from merger		
Stock issuance for merger	\$ 23,836,503	\$ —
Erasure of shares for merged companies	23,227,738	—
Capital reserve arising from merger	17,152,454	—
Increase on net assets (excluding cash) from merger	(37,514,670)	—
Less: Cash and cash equivalents of merged subsidiary, which has been included at the beginning of year	(7,539,879)	—
Cash proceeds from merger	\$ 19,162,146	\$ —
Financing activities not affecting cash flows		
Conversion of convertible bonds issued	\$ 7,255,492	\$ 8,804,994

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (“United Microelectronics”) was incorporated in May 1980 and commenced operations in April 1982. United Microelectronics major business activity is the dedicated manufacturing or fabrication of semiconductor products. United Microelectronics has a broad base of clients throughout the world. United Microelectronics’ products are used in a range of applications in the telecommunications, computing, networking, consumer electronics and other markets. United Microelectronics was publicly listed on the Taiwan Stock Exchange in July 1985 and listed on the New York Stock Exchange in September of 2000.

United Microelectronics Corporation, United Integrated Circuits Corporation (“United Integrated Circuits”), United Silicon Incorporated (“United Silicon”), United Semiconductor Corporation (“United Semiconductor”) and UTEK Semiconductor Corporation (“UTEK Semiconductor”) were merged into one publicly traded entity, United Microelectronics, on January 3, 2000 (See Note 10 to the financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of United Microelectronics and all majority owned (50% or more) subsidiaries (hereinafter referred to individually or collectively as, the “Company”). All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Pursuant to ROC Financial Accounting Standard (“FAS No. 7”) and the regulations of the Taiwan Securities and Futures Commission (“SFC”), if the total assets and operating revenues of a subsidiary are less than 10% of the total non-consolidated assets and operating revenue of United Microelectronics, respectively, the subsidiary’s financial statements may, at the option of United Microelectronics, not be consolidated. Irrespective of the above test, when the total combined assets or operating revenue of all such non-consolidated subsidiaries constitute more than 30% of United Microelectronics’ total assets or operating revenue, then each individual subsidiary with total assets or operating revenue greater than 3% of United Microelectronics non-consolidated assets or operating revenue has to be included in the consolidation.

The Company’s consolidated financial statements include the following subsidiaries:

Hsun Chieh Investment Co., Ltd. (“Hsun Chieh”), incorporated on December 31, 1999, was created for the purpose of merging the following six companies as of that date: Hung Tien Investment Corporation (“Hung Tien”), Ta Lien Investment Corporation (“Ta Lien”), Hung Lien Investment Corporation (“Hung Lien”), Tung Hsin Investment Corporation, Hsun Chieh Corporation and Holtek Investment Corporation. United Microelectronics’ shareholdings in Hsun Chieh as of December 31, 2000 and December 31, 1999 were 99.97% and 99.74%, respectively. Hsun Chieh was consolidated as of the year ended December 31, 2000 and 1999. United Microelectronics consolidated Hung Tien, Ta Lien, Hung Lien, Tung Hsin and Hsun Chieh Corporation, as United Microelectronics owned approximately 100% of each company through direct and indirect share holdings.

Nippon Foundry Inc. (“Nippon Foundry”) was incorporated in May 1984 in Japan and is in the business of manufacturing semiconductor products. United Microelectronics owned 51.74% and 52.30% share holding in Nippon Foundry as of December 31, 2000 and 1999, respectively.

UMC Group (USA) (“UMC-USA”) was incorporated on August 5, 1997, and is engaged in the business of sales of semiconductor products and providing related foundry services. United Microelectronics owned 100% and 80% share holdings in UMC-USA as of December 31, 2000 and 1999, respectively.

Fortune Venture Capital Corporation, United MicroMachining Corporation and United Foundry Services Inc. were excluded from consolidation in accordance with the aforementioned exclusion rules.

Principle of Business Combinations

United Microelectronics' acquisitions in 2000 and 1999 were accounted for under the purchase method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

Translation of Foreign Currency Transactions

The accounts of United Microelectronics are maintained in New Taiwan dollars, their functional currency. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. The financial statements of foreign subsidiaries and investees are translated into New Taiwan dollars using the spot rate as of each financial statement date for asset and liability accounts, average exchange rate for profit and loss accounts and historical exchange rates for equity accounts. The cumulative translation effects for subsidiaries and investees using functional currencies other than the New Taiwan dollars are included in the cumulative translation adjustment in shareholders' equity.

Derivative Financial Instruments

The Company enters into interest rate swap and cap agreements to manage its exposure to interest rate risk. These agreements are accounted for on an accrual basis with cash settlements recorded as an adjustment to interest expense.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risk or changes in value because of changes in interest rates.

Marketable Securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value at the balance sheet date. The market value of listed equity securities or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value for open-ended funds is determined by their equity per share at the balance sheet date. The amount by which aggregate cost exceeds market value is reported as a loss in the current year. In subsequent periods, recoveries of market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of collectibility and aging analysis of accounts and other receivables.

Inventories

Inventories are recorded at cost when acquired and stated at the lower of aggregate cost, based on weighted average method, or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of net realizable value. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

Long-term Investments

Investments in less than 20% owned listed companies where significant influence on operational decisions does not reside with the Company, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for long-term investment purposes is deducted from the shareholders' equity. The Company's investments in less than 20% owned unlisted companies are accounted for under the cost method, unless an other than temporary impairment is evident, in which case they are written down to their net realizable value, establishing a new cost basis.

Investment income or loss from investments in both listed and unlisted companies is accounted for under the equity method provided that the Company owns over 20% of the voting outstanding shares of the investee company and has significant influence on operational decisions of the investee company. The excess of the acquisition cost over the underlying equity in the investee's net assets is capitalized and amortized over its useful life.

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee and the Company is amortized and recognized based on the assets' economic service lives. Profit from other types of intercompany transactions is recognized when realized. When the Company's proportional interest in an equity investee changes when the latter issues additional shares, the effect of the change in the Company's holding ratio in the long-term investment is adjusted first to capital reserve. If the capital reserve account is insufficient, the effect is included in retained earnings.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Interest incurred on loans used to finance the construction of property, plant and equipment is capitalized and depreciated accordingly.

Depreciation is provided on the straight-line basis using the economic service lives of the assets less any salvage value. When the economic service lives are completed, fixed assets, which are still in use, are depreciated over the newly estimated remaining useful lives of the salvage value. The economic service lives of the fixed assets are as follows: buildings — 3 to 55 years; leasehold improvements — the lease period or economic service lives, whichever is shorter; others — 2 to 20 years.

Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When fixed assets are disposed of, their original cost and accumulated depreciation are written off and related gain, net of income tax, is transferred to capital reserve in the current year.

Intangible Assets

Intangible assets are stated at cost and amortized on a straight-line basis over the following periods: patents—the legal period and trademarks—the contract period.

Deferred Assets

Deferred assets are stated at cost and amortized on a straight-line basis as follows: royalty — the contract period or economic service lives whichever is short; software — 2 to 5 years; right to use facility — 15 years; and convertible bond issuance costs — over the life of the bonds.

Pension Plan

The Company has a funded defined benefit pension plan covering all regular employees. The net pension cost is computed based on an actuarial valuation in accordance with the provision of ROC FAS No. 18, which requires consideration of pension cost components such as service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net asset or obligation at transition is amortized on a straight-line basis over 15 years. The pension fund managed by an independently administered pension fund association.

Convertible Bonds

The excess of the stated redemption price over the par value is accrued as compensation interest payable over the redemption period, using the effective interest method. When the redemption right expires, the balance of the compensation interest payable is amortized over the period from the expiration date to the maturity date using the effective interest method.

When bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock and the excess is credited to capital reserve; no gain or loss is recognized on bond conversion.

Capital Reserve

According to the Company Law of the Republic of China and under ROC GAAP, the following shall accrue as capital reserve; (1) any premiums on capital stock; (2) the net appraisal surplus of each fiscal year; (3) any gain on disposal of assets; (4) the fair market value of assets received from a merged company in excess of assumed liabilities and payment for shares held by shareholders of the merged company; (5) any donated surplus; and (6) change in an equity investee's capital structure. Capital reserve shall be exclusively used to cover accumulated deficits when the legal reserve is insufficient to cover the deficits or distribution of stock dividends.

Income Tax

Provision for income tax includes deferred tax resulting from temporary differences and investment tax credits. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. Over

or under provision of prior years' income tax liabilities are included in the current year's income tax expense.

Investment Tax Credit

Investment tax credit is accounted for using the flow through method. Therefore, income tax expense is reduced by the investment tax credit in the year the latter arises.

Revenue Recognition

The Company has two revenue channels. In the first channel, direct sales, the Company bills and ships products to the customer. In the second channel, commission-based sales, the Company bills and ships products to the customer directly and the affiliate or distributor that initiated the sale is entitled to a commission, which is billed separately by the intermediary. In both revenue channels, revenue is recognized when shipment is made and when the payment is realized or realizable.

Research and Development

Costs incurred by the Company in research and development activities are expensed as incurred.

Minority Interests

Minority interest in the income statement includes interest in the earnings of less than wholly owned subsidiaries and the pre-acquisition earnings of companies acquired during the year that the Company was not entitled to recognize.

Earnings Per Share

Simple earnings per share is calculated by dividing net income by weighted average number of shares outstanding during the year. Primary earnings per share is computed by taking simple earnings per share into consideration plus additional common share equivalents. Fully diluted earnings per share is calculated by taking primary earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. The net income would also be adjusted for the interest derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are restated for stock dividends issued, with the exception of bonus share issues.

Certain Risks and Uncertainties

The Company is engaged in the foundry business of manufacturing semiconductor products and sells its products primarily in Taiwan, Asia, North America and Europe, generally without requiring collateral. The Company's products are concentrated in the semiconductor industry, which is highly competitive and rapidly changing, and its inventories are subject to rapid technological obsolescence. While the Company has programs to minimize the required inventories on hand and considers technological obsolescence in estimating required allowances to reduce amount to fair market value, such estimates could change in the future. Significant technological changes in the industry could affect operating results adversely.

Treasury Stock

The Company adopted ROC Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stocks." The Statement requires that treasury stocks be accounted for under cost method. Cost of treasury stock is shown as a deduction to shareholders' equity, while gain or loss of selling treasury stocks is treated as an adjustment to capital reserves.

3. REASONS AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES

Nippon Foundry changed its depreciation method from declining-balance method to straight-line method in the year 2000, with concurrence of its auditors, due to the change in business direction from general-purpose DRAM business to foundry business. The straight-line method is better suited for providing appropriate operation result for the foundry business because of its stability in price and profit. This accounting change caused depreciation expense to decrease by NT\$638 million. From consolidated point of view, income before income tax and minority interest increased by about NT\$574 million and minority interest in income increased by NT\$277 million. The effect on the comparability of the Company's consolidated financial statements for the years 2000 and 1999 is immaterial.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

<i>In thousand NTD</i>	2000	1999
Cash:		
Cash on hand	\$ 3,287	\$ 3,820
Checking and demand accounts	3,487,621	2,545,027
Time deposits	50,286,421	21,055,065
Subtotal	53,777,329	23,603,912
Cash equivalents:		
Commercial paper	3,563,471	1,426,625
Repurchase bonds	5,415,873	1,771,898
Total	\$ 62,756,673	\$ 26,802,435

(2) Marketable Securities

<i>In thousand NTD</i>	2000	1999
Mutual funds	\$ —	\$ 434,254
Listed equity securities	—	37,780
Subtotal	—	472,034
Allowance for loss on decline in market value	—	(22,900)
Net	\$ —	\$ 449,134

(3) Notes Receivable

<i>In thousand NTD</i>	2000	1999
Notes receivable	\$ 296,032	\$ 1,426,677
Allowance for doubtful accounts	—	—
Net	\$ 296,032	\$ 1,426,677

(4) Accounts Receivable

<i>In thousand NTD</i>	2000	1999
Accounts receivable	\$ 17,155,008	\$ 3,273,168
Allowance for sales returns and discounts	(753,286)	(27,246)
Allowance for doubtful accounts	(164,243)	(72,023)
Net	\$ 16,237,479	\$ 3,173,899

(5) Inventories

<i>In thousand NTD</i>	2000	1999
Raw materials	\$ 390,616	\$ 94,136
Supplies and spare parts	1,438,100	636,741
Work in process	6,721,770	1,644,982
Finished goods	2,876,297	838,948
Inventory in-transit	—	46,810
Subtotal	11,426,783	3,261,617
Allowance for loss on decline in market value and obsolescence	(636,206)	(203,038)
Net	\$ 10,790,577	\$ 3,058,579

a. Inventories were not pledged.

b. The insurance coverage for inventories was sufficient as of December 31, 2000 and 1999, respectively.

(6) Long-term Investments

a. Details of long-term investments are as follows:

<i>In thousand NTD</i>	Percentage of Ownership as of December 31, 2000	2000	1999
Investments accounted for under equity method:			
United Foundry Service Inc.	100.00%	\$ 67,432	\$ —
Fortune Venture Capital Corporation	99.99%	3,766,868	3,388,305
AMIC Technology Inc.	—	—	221,494
United MicroMachining Corp.	60.91%	26,399	28,165
Pacific Venture Capital Co., Ltd.	49.99%	353,158	321,202
DuPont Photomasks Taiwan Ltd.	47.16%	942,897	777,872
UniMicron Technology Corp.	43.93%	1,364,153	1,059,610
Trecenti Technologies, Inc.	40.00%	3,427,304	—
World Wiser Electronics Incorporated	38.97%	2,596,312	1,554,585
Unipac Optoelectronics Corp.	38.71%	7,774,055	8,028,695
Holtek Semiconductor Inc.	35.39%	657,281	—
Harvatek Corporation	33.37%	204,541	204,991
Cheng Hsun Electronics, Inc.	31.50%	31,500	—
Hsun Huei Technology, Inc.	31.00%	31,000	—
Plato Electronics (Cayman) Limited	30.00%	424,539	—
Novatek Microelectronics Corp.	29.80%	861,690	551,339
Integrated Technology Express Inc.	28.78%	336,495	304,758
Faraday Technology Corp.	27.96%	1,633,509	1,523,625
Applied Component Technology Corporation	27.96%	120,328	126,816
Integrated Telecom Express, Inc.	21.24%	1,039,205	338,802
Mediatek Incorporation	18.98%	1,246,785	650,268
Advance Materials Corp.	15.78%	207,521	—
Enovation Group, Inc.	14.34%	73,807	80,000
AMIC Technology (Taiwan), Inc.	14.06%	126,066	—
Broadmedia, Inc.	39.38%	—	225,600
United Silicon Inc.	—	—	5,745,592
United Semiconductor Corporation	—	—	20,483,121
Focused Semiconductor Corp.	—	—	121,896
UTEK Semiconductor Corp.	—	—	3,371,443
Subtotal		27,312,845	49,108,179

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Investee Company	Percentage of Ownership as of		
	December 31, 2000	1999	
<i>continued from previous page</i>			
Investments accounted for under cost method or the lower of cost or market method:			
Giga Solution	19.44%	105,000	—
Elite Flash Storage Technology Inc.	19.50%	19,500	—
PixTech, Inc.	18.10%	561,080	137,750
Patentop, Ltd.	18.00%	22,356	—
AEM Technology, Inc.	17.60%	28,714	—
Kits On Line Technology Corp.	16.41%	38,656	—
Vialta.com, Inc.	16.17%	1,241,718	934,450
Union Technology Corp.	15.00%	18,000	—
Integrated Photonics, Inc.	11.46%	6,244	6,290
United Industrial Gases Co., Ltd.	11.25%	146,250	146,250
Linden Technologies Inc.	11.17%	92,385	—
Sino-Aerospace Investment Corp.	11.11%	86,588	86,588
National Venture Capital Corp.	11.09%	60,000	60,000
Subtron Technology Co., Ltd.	11.02%	339,000	72,000
Pacific Technology Partners L.P.	11.00%	51,353	—
Golden Technology Venture Capital Investment Corp.	10.67%	80,000	80,000
Cynes Com, Inc.	9.81%	62,640	62,900
NetEmpower Software Technologies Inc.	9.42%	92,388	—
TECO Information Systems Co., Ltd.	9.26%	607,924	868,462
Alpha & Omega Semiconductor Inc.	9.09%	46,883	—
Ascend Semiconductor Corp.	9.00%	36,000	36,000
Industrial Bank of Taiwan	8.81%	1,240,000	—
NCTU Spring I Technology Venture Capital Investment Corp.	8.57%	30,000	30,000
PST International, Inc.	6.70%	18,000	18,000
Formerica International Holding Inc.	6.51%	30,898	—
Advanced Microelectronics Product Inc.	6.36%	126,000	126,000
NCTU Spring Venture Capital Co., Ltd.	6.28%	20,000	20,000
Cosmos Technology Venture Capital Investment Corp.	5.03%	40,000	40,000
Chiao Tung Bank	4.98%	4,991,630	4,099,214
Taiwan Asia Pacific Venture Fund	4.17%	29,295	29,295
VenGlobal Capital Fund III, L.P.	4.00%	16,190	—
TECO Electric & Machinery Co., Ltd.	3.96%	1,535,895	1,535,895
Broadcom Corporation	3.38%	70,941	—
Sampo Semiconductor Corp.	3.38%	84,420	88,700
Tonbu, Inc.	3.43%	428,767	—
Hantek Technology Co., Ltd.	3.34%	45,030	—
Aurora Systems, Inc.	2.99%	72,226	—
SAMPO Corporation	2.96%	443,598	494,216
Sheng-Hua Venture Capital Fund Corp.	2.50%	50,000	50,000
Trisected Corp.	2.19%	16,913	16,983
PixArt Imaging Inc.	2.00%	10,000	10,000
Dyna Image Corp.	1.67%	28,663	28,663
National Securities Corporation	1.26%	239,316	239,316
Primarion, Inc.	1.26%	31,800	—
Catalyst Semiconductor, Inc.	—	—	107,328

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Investee Company	Percentage of Ownership as of December 31, 2000	2000	1999
Investments accounted for under cost method or the lower of cost or market method:			
<i>continued from previous page</i>			
Stark Technology Inc.	1.16%	10,552	10,552
King-Yuan Electronics Co., Ltd	0.38%	70,000	—
Premier Camera Taiwan Ltd.	0.27%	27,964	27,964
Lite Lineonit Corp.	0.33%	58,400	—
Netlogic Microsystems Inc.	0.34%	3,195	—
Lexar Media, Inc.	0.17%	2,488	—
World Wiser Electronics Incorporated (convertible bonds)	—	635,572	—
Ingenus Corp.	—	29,813	—
Aspec Technology Inc.	—	—	29,812
IC Ensemble, Inc.	—	—	23,588
Comtrend Corp.	—	—	42,000
Advance Materials Corp.	—	—	44,212
Subtotal		14,180,245	9,602,428
Prepaid long-term investments		256,960	1,073,620
Golf Club Membership Card		60,000	—
		41,810,050	59,784,227
Cumulative translation adjustment		(26,324)	120,957
Allowance for loss on decline in market value of long-term investments		(13,807,915)	(339,965)
Total		\$ 27,975,811	\$ 59,565,219

b. The total long-term investment income under equity method recognized by the Company for the year 2000 based on the audited financial statements of the investee companies was NT\$2,077 million. Investment income amounting to NT\$320 million for the year ended December 31, 2000, and the related long-term investment balance of NT\$9,376 million as of December 31, 2000, were determined based on the investee companies' financial statements, which were audited by other auditors.

c. As of December 31, 2000, the long-term equity investments were not pledged. Please refer to Note 6 for long-term equity investments pledged as collateral as of December 31, 1999.

(7) Property, Plant and Equipment

a. Total capitalized interest amounted to NT\$813 million and NT\$221 million for the years ended December 31, 2000 and 1999, respectively.

b. The insurance coverage for property, plant and equipment amounted to NT\$204,631 million as of December 31, 2000.

c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(8) Short-Term Loans

<i>In thousand NTD</i>	2000	1999
Unsecured loans	\$ 3,933,865	\$ 6,843,725
Secured loans	34,685	626,000
	\$ 3,968,550	\$ 7,469,725
Interest rates	0.68%-9.50%	0.75%-8.50%

a. The Company's unused short-term lines of credits amounted to NT\$32,151 million as of December 31, 2000.

b. Please refer to Note 6 for assets pledged for short-term loans.

(9) Bonds Payable

<i>In thousand NTD</i>	2000	1999
Secured bonds payable	\$ 3,990,000	\$ —
Unsecured bonds payable	—	4,476,507
Add: Compensation interest payable	—	514,269
	<u>\$ 3,990,000</u>	<u>\$ 4,990,776</u>

- a. On May 16, 1997, the Company issued the second Euro convertible bonds amounting to US\$300 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before May 30, 2000.
- b. On January 20, 1998, the Company issued the third unsecured convertible bond amounting to NT\$15,000 million. These convertible bonds were redeemed and/or converted into the Company's common stocks before June 1, 2000.
- c. On August 19, 1999, Nippon Foundry Inc. issued the first unsecured convertible bond amounting to JPY5,000 million. These convertible bonds were redeemed and/or converted into Nippon Foundry's common stocks before August 29, 2000.
- d. Nippon Foundry Inc. issued the second unsecured convertible bond amounting to JPY10,000 million during 2000. These convertible bonds were redeemed and/or converted into Nippon Foundry's common stocks before June 14, 2000.
- e. On April 27, 2000, the Company issued five-year secured bond amounting to NT\$3,990 million with stated interest rate of 5.6%. The bonds are repayable in installments every six months from April 27, 2000 to April 27, 2005.

(10) Long-term Loans

<i>In thousand NTD</i>	2000	1999
Unsecured long-term loans	\$ 290,600	\$ —
Secured long-term loans	40,465,462	8,059,464
Less: Current portion	(9,212,111)	(2,355,555)
	<u>\$ 31,543,951</u>	<u>\$ 5,703,909</u>
Interest rates	1.60%-8.03%	6.35%-8.08%

- a. The Company will repay its long-term debts in installments. The last payment is scheduled at September 25, 2009.
- b. The Company's long-term debts denominated in foreign currencies amounted to US\$390 million, JPY5,500 million and US\$105 million as of December 31, 2000 and 1999, respectively.
- c. Please refer to Note 6 for assets pledged for long-term loans.

(11) Pension Fund

- a. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Each employee is limited up to 45 points. Retirement benefits are paid from fund previously provided.
- b. Based on actuarial assumptions for the year 2000, the discount rate, expected rate of return on plan asset, and the rate of compensation increase are 3.00% – 6.00%, 4.62% – 6.00%, and 3.71% – 6.00%, respectively. The transition obligation is amortized equally over 15 years. The funding status of pension plan is listed as follows:

<i>In thousand NTD</i>	2000	1999
Vested benefit obligation	\$ (232,773)	\$ (3,241)
Non-vested benefit obligation	(583,038)	(431,417)
Accumulated benefit obligation	(815,811)	(434,658)
Effect on projected salary increase	(1,733,296)	(1,005,701)
Projected benefit obligation	(2,549,107)	(1,440,359)
Market-related value of plan assets	693,559	449,863
Funded status	<u>(1,855,548)</u>	<u>(990,496)</u>

continued on next page

<i>In thousand NTD</i>	2000	1999
<i>continued from previous page</i>		
Unrecognized transition obligation	322,759	396,228
Unrecognized gain or loss	460,289	102,213
Accrued pension cost per actuarial report	(1,072,500)	(492,055)
Over accrual	(11,395)	—
Accrued pension liabilities	\$ (1,083,895)	\$ (492,055)
Vested benefit	\$ 232,773	\$ 3,751

c. The components of net periodic pension cost for 2000 and 1999 are as follows:

<i>In thousand NTD</i>	2000	1999
Service cost	\$ 413,264	\$ 118,738
Interest cost	115,600	46,497
Expected return on plan assets	(34,870)	(15,560)
Amortization of transition obligation	39,367	28,335
Amortization of unrecognized gain or loss	13,636	(10,766)
Net periodic pension cost	\$ 546,997	\$ 167,244

(12) Capital Stock

a. Based on the resolution of the shareholders' annual general meeting on May 13, 1999, the Company issued 858,318,783 new shares from the capitalization of retained earnings of NT\$2,780 million, employees' bonus of NT\$242 million and capital reserve of NT\$5,561 million.

b. On June 14, 1999, the Company's Board of Directors passed a resolution for the Company's merger with United Semiconductor, United Integrated Circuits, United Silicon, and UTEK Semiconductor. According to the merger agreement, the Company is the surviving company and would later issue new shares in exchange of the shares of USC, UICC, USI and UTEK at the swap ratio of 1:1, 1:3, 1:1.35 and 1:2, respectively. As of January 3, 2000, the officially merged date, the Company issued 2,383,650,273 shares for the merger.

c. Based on the resolution of the shareholders' meeting on April 7, 2000, the Company issued new shares of 1,888,543,007 shares from the capitalization of retained earnings of NT\$9,049 million, employees' bonus of NT\$787 million and capital reserve of NT\$9,049 million. The Company's authorized capital was also increased to 15,000,000,000 shares.

d. Based on the resolution of the shareholders' meeting on April 28, 2000, the Company issued 90,000,000 units of American Depositary Receipts (ADR), representing 450,000,000 common shares, on the New York Stock Exchange, on September 19, 2000. Owners of ADR are able to withdraw the underlying shares from the Company's ADR facility after three months of the issuing date. As of December 31, 2000, the outstanding ADR was 90,000,000 units.

e. As of December 31, 2000, the authorized capital was 15,000,000,000 shares at par of NT\$10, and 11,471,451,900 common shares were issued and outstanding.

f. Capital information of Nippon Foundry for 2000 and 1999 were as follows:

(a) On March 27, 1999, Nippon Foundry issued 58,600 shares at premium of JPY256,000 per share, which resulted in the increase of JPY7,501 million on both capital and capital reserve. On December 27, 1999, Nippon Foundry had a two-for-one stock split.

(b) Nippon Foundry had issued consecutive convertible bonds, which were fully converted into common stocks during year 2000. Total common shares converted amounted to 17,303 shares, and capital was increased by JPY6,499 million.

(c) On February 18, 2000, Nippon Foundry had a two-for-one stock split, which increased common shares by 113,171 shares. On November 22, 2000, Nippon Foundry issued 10,627 shares at premium of JPY470,500 per share, which resulted in the increase of JPY5,000 million on both capital and capital reserve.

(d) As of December 31, 2000, Nippon Foundry had paid-in capital amounted to JPY26,921 million, divided into 254,272 shares.

(13) Treasury Stock

a. Following the resolution of the Board of Directors' meeting on December 22, 2000, the Company entered into open market for treasury stocks. The purpose and ending balance of treasury stocks were as follows:

Purpose	Beginning(shares)	Addition(shares)	Disposal(shares)	Ending(shares)
Transfer to Employee	—	32,435,000	—	32,435,000

b. According to Stock Exchange Regulations of Taiwan, total shares of treasury stocks shall not exceed 10% of the Company's stocks issued and outstanding. Total purchase amount shall not exceed sum of retained earnings and additional paid-in capital and realized capital reserves. The Company's treasury stock possession did not, at any time during year 2000, violate the regulation stated above. As of December 31, 2000, the Company holds 32,435,000 shares of treasury stock which amounted to NT\$1,479 million.

c. Treasury stock shall not be pledged, nor does it possess voting rights or receive dividends, in compliance with Stock Exchange Regulations of Taiwan.

d. The Company and subsidiary (Hsun Chieh) owned treasury stocks of 398,442,905 shares in total cost of NT\$31,072 million as of December 31, 2000.

(14) Retained Earnings

a. According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) paying all taxes and dues;

(b) covering prior years' operating losses, if any;

(c) setting aside 10% of the remaining amount, after deducting (a) and (b), as legal reserve;

(d) allocating 1% of the remaining amount, after deducting (a), (b), and (c) above from the current year's earnings, as directors' and supervisors' remuneration; and

(e) retaining or distributing the remaining amount as follows: 92% as common shareholders' bonus and 8% to employees as employees' bonus.

b. The new Taiwan imputation tax system requires that any undistributed current earnings, on tax basis of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the company can be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholders can claim a proportionate share in the Company's corporate income tax as tax credit against its individual income tax liability effective 1998.

c. As of December 31, 2000, the ending balance of unappropriated earnings amounted to NT\$50,760 million, of which NT\$64 million was earned prior to January 1, 1998.

d. As of December 31, 2000, the balance of shareholders tax credit was NT\$135 million. The estimated rate of deductible tax credit for the appropriation of 2000 earnings will be 0.26%. The rate of deductible tax credit for the appropriation of 1999 earnings was 1.03%.

(15) Simple Earnings Per Share

<i>In thousand NTD</i>	2000 (thousand shares)	1999 (thousand shares)
Weighted average outstanding common shares	10,754,127	7,646,114
Net income	\$ 50,780,378	\$ 10,497,892
Earnings per share (in NTD)	\$ 4.72	\$ 1.37

(16) Income Tax

<i>In thousand NTD</i>	2000	1999
Expected tax on income before income tax	\$ 11,750,697	\$ 5,345,589
Tax adjustment of permanent differences	(5,037,098)	(154,452)
Income tax credit	(5,288,099)	(141,676)
Estimated 10% corporate income tax on un-appropriated earnings	—	436,003
Adjustment of prior year's tax expense	(136,744)	276
Loss carryforward	(1,410,160)	(4,727,481)
Tax on interest income subjected to separate withholding income tax	30,342	70,705
Income tax (benefit) expense	(91,062)	828,964
Net effect of deferred tax assets	578,235	(250,885)
Adjustment of prior year's tax expense	136,744	(276)
Tax on interest income subjected to separate withholding income tax	(30,342)	(70,705)
Prepaid income tax	(186,361)	(187,285)
Income tax payable – current	407,214	319,813
Income tax payable picked up from merger	248,485	—
Included in other current assets	148,234	207,069
Income tax payable at the end of year	\$ 803,933	\$ 526,882

Deferred income tax assets and liabilities were as follows:

<i>In thousand NTD</i>	2000	1999
Deferred income tax assets – current	\$ 3,546,454	\$ 939,883
Deferred income tax liabilities – current	(23,211)	(12,632)
Valuation allowance for deferred tax assets-current	(2,368,442)	(420,000)
Net	\$ 1,154,801	\$ 507,251
Deferred income tax assets – noncurrent	\$ 9,272,426	\$ 8,402,680
Deferred income tax liabilities-noncurrent	(2,238,379)	(597,550)
Valuation allowance for deferred tax assets-noncurrent	(3,217,677)	(6,059,044)
Net	\$ 3,816,370	\$ 1,746,086

Significant components of deferred income tax assets and liabilities were as follows:

<i>In thousand NTD</i>	2000		1999	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Temporary difference				
Allowance on sales return and discount	\$ 1,063,161	\$ 212,632	\$ 536,679	\$ 107,336
Organization Cost	—	—	120,668	24,134
Others	1,288,802	401,001	(235,994)	(37,816)
Investment tax credits	—	2,909,610	—	833,597
Valuation allowance for deferred tax assets	—	(2,368,442)	—	(420,000)
Net	\$ 2,351,963	\$ 1,154,801	\$ 421,353	\$ 507,251

<i>In thousand NTD</i>	2000		1999	
	Amount	Tax effect	Amount	Tax effect
Non-current items:				
Temporary difference				
Depreciation	\$ (11,184,189)	\$ (2,235,162)	\$ (2,809,638)	\$ (563,800)
Pension	932,463	187,805	471,728	94,346
Amortization of technical shares	787,500	157,500	(562,500)	(33,750)
Organization Cost	617,589	168,891	103,176	6,191
Others	235,128	47,025	769,144	163,457
Loss carryforward	—	—	14,072,004	5,347,362
Investment tax credits	—	8,707,988	—	2,791,324
Valuation allowance for deferred tax assets	—	(3,217,677)	—	(6,059,044)
Net	\$ (8,611,509)	\$ 3,816,370	\$ 12,043,914	\$ 1,746,086

The Company's income tax returns through the year 1997, except for 1995, were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park", the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 2003. As of December 31, 2000, the Company's unused investment tax credits amounted to \$11,618 million.

5. RELATED PARTY TRANSACTION

(1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company
United Semiconductor Corporation (USC)	Investee company
United Silicon Inc. (USI)	Investee company
United Integrated Circuits Corp. (UICC)	Investee company
UTEK Semiconductor Corp. (UTEK)	Investee company
United Foundry Service, Inc. (UFS)	Investee company
Integrated Technology Express Inc. (ITE)	Investee company
Novatek Microelectronics Corp. (Novatek)	Investee company
Mediatek Incorporation (Mediatek)	Investee company
Unipac Optoelectronics Corp. (Unipac)	Investee company
Applied Component Technology Corp. (ACT)	Investee company
AMIC Technology (Taiwan), Inc. (AMIC-Taiwan)	Investee company
World Wiser Electronics Incorporated (WWEI)	Investee company
Fortune Venture Capital Corp. (FVC)	Investee company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee company
Holtek Semiconductor Inc. (Holtek)	Investee company
Faraday Technology Corporation (Faraday)	Investee company
Hung Lien Investment Corp. (Hung Lien)	Investees' reinvestee
Davicom International Corp. (Davicom)	Investees' reinvestee
Chiao Tung Bank (Chiao Tung)	A Director of the Company
Industrial Bank of Taiwan (IBT)	The Company is its major shareholder.
Aptos (Taiwan) Corp. (Aptos)	The Board chairman is the CEO of the Company.
TECO Electric & Machinery Co., Ltd. (TECO)	Director and supervisor of the Company
United Microelectronics (Europe) B.V. (UMC BV)	A Director is the Board chairman of the Company.
United Microelectronics Co., Ltd. Hong Kong (UMCL)	A Director is the Board chairman of the Company.
Formosa Link Pte Ltd. (Formosa)	A Director is the Board chairman of the Company.

(2) Significant Related Party Transactions

a. Operating revenues

<i>In thousand NTD</i>	2000		1999	
	Amount	Percentage	Amount	Percentage
UMC BV	\$ 11,922,113	10%	\$ 2,819,624	8%
Mediatek	4,938,704	4%	1,045,700	3%
AMIC-Taiwan	2,286,648	2%	—	—
Novatek	1,752,171	2%	959,424	3%
Formosa	1,370,859	1%	895,755	3%
Holtek	1,007,099	1%	—	—
Faraday	1,001,979	1%	356,432	1%
ACT	887,125	1%	851,877	3%
UMCL	697,223	1%	1,719,576	5%
ITE	610,022	1%	839,692	2%
Others	2,243,055	2%	2,587,865	8%
Total	\$ 28,716,998	26%	\$ 12,075,945	36%

The sales to above related parties were dealt with in the ordinary course of business with the sales price made in the way similar to the sales to third-party customers. Prior to June 2000, the collection period was net 60 days for overseas sales while month end 60 days for domestic sales. Starting June 2000, the collection periods for overseas sales were net 60 days and net 45 – 60 days for the related parties and third-party customers, respectively, while the terms for domestic sales were month end 45 days for both the related parties as well as the third-parties customers.

b. Purchases

<i>In thousand NTD</i>	2000		1999	
	Amount	Percentage	Amount	Percentage
DPT	\$ 961,567	2%	\$ 69,875	1%
ACT	490,142	1%	—	—
UTEK	—	—	1,509,618	11%
USC	—	—	2,156,916	16%
USI	—	—	756,605	5%
Others	3,504	—	319,409	2%
Total	\$ 1,455,213	3%	\$ 4,812,423	35%

The purchases from above related parties were dealt with in the ordinary course of business similar to those from third-party suppliers. The payment terms for purchase from overseas were net 60 days and net 30 days for the related parties and third-party suppliers, respectively, while the terms for domestic purchase were month end 60 days and month end 60 to 90 days for the related parties and third-party suppliers, respectively.

c. Notes receivable

<i>In thousand NTD</i>	2000		1999	
	Amount	Percentage	Amount	Percentage
Holtek	\$ 161,785	—	\$ —	—
Others	27,760	—	156,984	—
Net	\$ 189,545	—	\$ 156,984	—

d. Accounts receivable

<i>In thousand NTD</i>	2000	1999
UMC BV	\$ 2,119,103	\$ 888,779
AMIC-Taiwan	551,392	—
Formosa	404,382	120,011
Mediatek	189,338	224,043
UMCL	182,677	337,291
Novatek	172,035	168,356
Holtek	151,285	—
Faraday	144,500	—
ACT	65,547	152,906
ITE	52,470	155,519
Others	163,070	256,714
Subtotal	4,195,799	2,303,619
Allowance for sales returns and discounts	(454,747)	(11,270)
Allowance for doubtful accounts	(117,265)	(50,566)
Net	\$ 3,623,787	\$ 2,241,783

e. Other receivables

<i>In thousand NTD</i>	2000	1999
Unipac	\$ 24,633	\$ 844
USC	—	268,590
USI	—	144,087
Others	86,876	78,310
Subtotal	111,509	491,831
Allowance for doubtful accounts	(503)	—
Net	\$ 111,006	\$ 491,831

f. Accounts payable

<i>In thousand NTD</i>	2000	1999
DPT	\$ 181,075	\$ 20,763
ACT	85,444	—
WWEI	34,513	—
UTEK	—	132,787
USI	—	46,367
USC	—	282,232
Others	22,663	1,922
Total	\$ 323,695	\$ 484,071

g. Loans

<i>In thousand NTD</i>	Amount	Maximum balance Month	Ending balance	Interest rate	2000 Interest expense
Chiao Tung	\$ 5,543,077	March	\$ 4,014,861	0.87-8.39%	\$ 285,863
IBT	998,750	June	998,750	6.1-6.43%	64,137
Total	\$ 6,541,827		\$ 5,013,611		\$ 350,000

<i>In thousand NTD</i>	Maximum balance		Ending balance	Interest rate	1999 Interest expense
	Amount	Month			
Chiao Tung	\$ 1,146,530	May	\$ 923,910	6.64%	\$ 64,285

h. Disposal of Long-term Investments

<i>In thousand NTD</i>	Item	Amount	2000 Gain (Loss)
AMIC-Taiwan	Common stock of AMIC Technology Inc.	\$ 135,000	\$ (80,517)

<i>In thousand NTD</i>	Item	Amount	1999 Gain (Loss)
FVC	Common stocks of Tripath Technology Inc. and Silicon Perspective Corp., etc.	\$ 334,984	\$ 15,710
Aptos	Common stocks of APTOS Corp.	79,241	(79,488)
Mediatek	Common stocks of Legend Venture Capital Investment Corp.	57,500	7,500
Total		\$ 471,725	\$ (56,278)

i. Disposal of property, plant and equipment

The company had no significant property transactions with related parties in 2000.

<i>In thousand NTD</i>	Item	Amount	1999 Gain (Loss)
DPT	Machinery and software	\$ 477,246	\$ 7,842
Unipac	Plant facility	242,224	9,983
Others	Machinery, etc.	69,238	5,071
Total		\$ 788,708	\$ 22,896

j. Other transactions

<i>In thousand NTD</i>	Item	2000	1999
Unipac	Facility revenues, etc	\$ 68,552	\$ 9,881
USC	Facility revenues, etc.	—	428,018
USI	Facility revenues, etc.	—	309,338
Others	Facility revenues, etc.	41,144	115,692
Total		\$ 109,696	\$ 862,929

<i>In thousand NTD</i>	Item	2000	1999
WWEI	Processing expenditures	\$ 299,239	\$ 192,943
USI	Research fee and mask charges	—	978,040
Others	Service charges and processing expenditures, etc.	174,611	125,225
Total		\$ 473,850	\$ 1,296,208

6. ASSETS PLEDGED AS COLLATERAL

<i>In thousand NTD</i>	2000	1999	Subject of collateral
Time Deposits	\$ 2,947,400	\$ 366,676	Long-term loans and employee loan
Land	627,917	452,915	Long-term loans
Building	5,442,085	4,048,416	Short-term and long-term loans
Machinery	53,433,054	13,712,787	Short-term and long-term loans
Stocks	—	1,412,123	Short-term loans
Total	<u>\$ 62,450,456</u>	<u>\$ 19,992,917</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company's unused letters of credit for import materials and machinery were NT\$3,738 million as of December 31, 2000.
- (2) The Company entered into contracts, amounted to US\$617 million, with third parties for rights to use patents registered by the third parties. Royalty payable for the consecutive 5 years starting 2001 through 2005 are US\$97 million, US\$79 million, US\$97 million, US\$31 million, and US\$34 million, respectively.
- (3) The Company has signed several construction contracts for the expansion of its factory space. As of December 31, 2000, these construction contracts amounted to NT\$5,065 million with the un-accrued portion of the contracts in NT\$2,182 million.
- (4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. Company management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business.
- (5) In April 1998, Oak Technology Inc. filed a lawsuit with International Trade Commission (ITC) of USA against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. Company management believes that this complaint will not have a material adverse effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.
- (6) The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases are:

<i>In thousand NTD</i>	Amount
Year	
2001	\$ 308,386
2002	364,633
2003	397,019
2004	384,122
2005	320,784
2006-2010	516,990
2011-2015	382,617
2016-2018	62,110
Total	<u>\$ 2,736,661</u>

- (7) The Company entered into several wafer-processing contracts with its main clients. According to the contracts, the Company shall guarantee processing capacity, while the clients make deposits to the Company or pay penalties in case the clients' orders do not meet the capacity guaranteed.

(8) The Company entered into two three-year purchase agreements that committed the Company to purchase at least 75% of its 8-inch wafer consumption from two of its suppliers for a period of three years.

(9) The Company has signed a Memorandum with Infineon Technologies AG and Singapore's Economic Development Board Investments Pte Ltd to form a joint venture in Singapore. The venture plans to manufacture 300 mm wafers and to provide related foundry services using 0.18-micron and more advanced technologies. The expected capital expenditure is about US\$3,600 million for a planned production output of 40,000 pcs 12-inch wafers per month. According to the agreed-upon Memorandum, the Company is entitled to acquire and represent the controlling ownership of the venture.

(10) The Company and Hitachi, Ltd. have established a joint wafer fabrication company in Japan for the purpose of manufacturing 12-inch wafers, named Trecenti Technologies, Inc. ("Trecenti") on March 15, 2000. The Company has invested JPY12,000 million for 40% equity interest as of December 31, 2000.

(11) As of December 31, 2000, Hsun Chieh Investment has committed to repurchase marketable securities at the amount of NT\$290 million.

(12) As of December 31, 2000, Nippon Foundry has guaranteed debts for its employees amounted to JPY1,125 million.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. BUSINESS ACQUISITION

The Company completed its merger with United Semiconductor, United Integrated Circuits, United Silicon and UTEK Semiconductor on January 3, 2000 through the issuance of 2,383,650,273 shares. Under ROC GAAP, the fair value of the net assets received is deemed to be the value of the consideration for the acquisition of the remaining interests in United Semiconductor, United Silicon, UTEK Semiconductor and United Integrated Circuits and is reflected in the common stock and capital reserve in the balance sheet.

The following unaudited pro forma data summarizes the results of operations for the years ended December 31, 2000 and 1999, respectively, as if the acquisitions had been completed on January 1, 2000 and 1999, respectively. The pro forma data show the effect on actual operating results prior to the acquisition and the increase in the depreciation expense as a result of a step up in the fair value of fixed assets acquired.

These pro forma amounts do not propose to be indicative of the results that would have actually been obtained if the acquisition had occurred on January 1, 2000 and 1999 or that may be obtained in the future.

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999 (Unaudited)

<i>In thousand NTD</i>	2000	1999
Sales	\$ 115,609,339	\$ 57,857,912
Cost of sales	(57,062,195)	(41,383,096)
Gross Profit	58,547,144	16,474,816
Unrealized inter-company profit-net	(348,850)	(83,037)
Realized gross profit	58,198,294	16,391,779
Operating expenses		
Selling expense	(1,153,356)	(900,151)
Administrative expense	(3,196,689)	(3,212,817)
Research and development expense	(6,307,007)	(2,985,580)
Subtotal	(10,657,052)	(7,098,548)
Operating income	47,541,242	9,293,231
Non-operating income		
Interest income	2,025,646	2,043,595
Investment income	1,726,345	441,060
Miscellaneous income	4,473,169	19,976,795
Subtotal	8,225,160	22,461,450
Non-operating expense		
Interest expense	(2,378,561)	(2,589,771)
Miscellaneous loss	(1,065,307)	(4,470,856)
Subtotal	(3,443,868)	(7,060,627)
Income before income tax and minority interest	52,322,534	24,694,054
Income tax benefit (expense)	91,062	(908,060)
Net income before minority interest	52,413,596	23,785,994
Minority interest income	(1,639,842)	(11,092,836)
Net income	\$ 50,773,754	\$ 12,693,158

The elimination entries between the controlling company and subsidiaries.

1. Elimination of reciprocal investment in subordinate company and subordinate company equity balances

<i>In thousand NTD</i>	2000		1999	
Entries	Debit	Credit	Debit	Credit
Accumulated depreciation	1,057,094		557,996	
Goodwill due to consolidation	1,713			
Minority interest in income	1,698,835			
Pre-acquisition income	19,062		12,754,634	
Investment income	3,791,944		1,919,171	
Common Stock	17,109,886		33,251,047	
Capital reserve	28,426,769		25,452,633	
Cumulative translation adjustment	134,675		713,481	
Retained earnings	9,757,395			

continued on next page

<i>In thousand NTD</i>		2000		1999	
Entries	Debit	Credit	Debit	Credit	
<i>continued from previous page</i>					
Other assets-others			2,231,984		
Long-term investments		37,164,445		49,956,044	
Minority interests		9,197,355		9,897,636	
Amortization expenses		551,976		875,069	
Unrealized loss on long-term investments		12,293,617			
Buildings		1,729,788		1,729,788	
Machinery and equipment		864,894		864,894	
Intangible Assets		195,298		195,298	
Retained earnings				9,134,190	
Negative Goodwill				2,405,277	
Minority interest in income				1,822,750	

2. Elimination of mutual holdings

<i>In thousand NTD</i>		2000		1999	
Entries	Debit	Credit	Debit	Credit	
Treasury stock	29,592,654		16,691,822		
Long-term investment		29,592,654		16,219,605	
Short-term investment				472,217	

3. Elimination of inter-company profits and losses

<i>In thousand NTD</i>		2000		1999	
Entries	Debit	Credit	Debit	Credit	
Minority interests	43,764				
Sales	42,191,764		5,915,701		
Other operating revenues	1,623,192		1,311,811		
Inventories			65,118		
Realized inter-company profit	202,790				
Deferred assets	89,625		282,744		
Other income	3,171		5,050		
Rental revenue	60				
Long-term investment	46,920				
Cost of goods sold		43,427,238		6,861,365	
Unrealized inter-company profit				282,744	
Selling expenses		127,961		6,694	
Administrative expenses		60			
Other operating costs				5,050	
Other losses		3,171		115,353	
Deferred charges		89,625		309,218	
Inventories		90,684			
Investment income		77,747			
Minority interest in income		78,055			
Sales returns and allowances		306,745			

4. Elimination of other reciprocal balance

In thousand NTD

Entries	2000		1999	
	Debit	Credit	Debit	Credit
Deposits in	2,010,494			
Other liabilities-other			2,250,000	
Accounts payable	6,918,723		1,166,256	
Accrued expenses			330	
Accounts receivable		6,918,245		1,102,260
Other receivables		478		64,326
Intangible assets				2,250,000
Deposits out		2,010,494		

11. INVESTMENT IN MAINLAND CHINA

None.

12. SPECIAL DISCLOSURE ITEMS

The following related information on significant transactions and investee of the year 2000 was prepared based on the audited financial statements.

- (1) Loans to others attributed to financial activities as of December 31, 2000: Please see Attachment-1.
- (2) The endorsements and guarantees provided by the Company to others as of December 31, 2000: Please see Attachment-2.
- (3) The securities held by the Company as of December 31, 2000: Please see Attachment-3.
- (4) The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year ended December 31, 2000: Please see Attachment-4.
- (5) Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-5.
- (6) Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock for the year ended December 31, 2000: Please see Attachment-7.
- (8) Receivables from related parties exceeding the lower of NT\$100 million and 20 percent of the Company's capital stock as of December 31, 2000: Please see Attachment-8.
- (9) Related information on investee companies as of December 31, 2000: Please see Attachment-9.

13. SEGMENT INFORMATION

(1) Operations in different industries

The Company operates principally in one industry. The Company's major operation is the manufacture and sale of semiconductor products.

(2) Operations in different geographic areas

<i>In thousand NTD</i>	2000		1999	
	Sales Revenue	Long-lived Assets	Sales Revenue	Long-lived Assets
Taiwan	\$ 29,454,412	\$ 154,190,745	\$ 17,074,544	\$ 38,102,529
Asia	14,747,805	11,585,225	6,841,990	6,553,524
North America	50,948,264	123,529	6,992,267	115,965
Europe and others	20,458,858	—	2,826,050	—
	<u>\$ 115,609,339</u>	<u>\$ 165,899,499</u>	<u>\$ 33,734,851</u>	<u>\$ 44,772,018</u>

(3) Major customers

There is no customer with which revenue represents over 10% of net sales for the years ended December 31, 2000 and 1999, respectively.

14. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Company entered into some Interest Rate Swap (IRS) contracts with certain banks. The major information is as follows:

(1) Purposes: The IRS contracts were entered into for the purpose of hedging interest rate risk, primarily of long-term loan. The interest income resulted from the IRS contracts for the year 2000 totaled to NT\$8 million.

(2) Notional amount and contract period:

As of December 31, 2000:

Notional amount	Contract period
US\$10 million	November 28, 1996 – May 28, 2001 (As the result of last closing for the contract, there would be no more mutual interest obligation for the period from November 28, 2000 through May 28, 2001.)

As of December 31, 1999:

Notional amount	Contract period
US\$10 million	November 28, 1996 – May 28, 2001
US\$40 million	December 19, 1997 – December 19, 2000
US\$20 million	December 23, 1997 – December 27, 2000

(3) Term and characteristics of the swaps:

- Term: These transactions are settled on a semi-annual basis. The Company agrees to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company receives the floating rate interest, which is based on the 6 months USD-LIBOR-BBA rate on the day that is two London Banking Days preceding any reset date, from the bank.
- Credit risk: There is no significant credit risk with respect to the above three transactions because the banks have good global standing.
- Market risk: The market risk is low due to the nature of the swaps.
- The gains (or losses) resulted from the IRS contracts that were outstanding as of December 31, 2000 were NT\$0.4 million and (NT\$20 million) for the years 2000 and 1999, respectively.

Non-derivative Instruments

In thousand NTD

Financial Assets	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 62,756,673	\$ 62,756,673	\$ 26,802,435	\$ 26,802,435
Notes and accounts receivable	20,346,843	20,346,843	6,999,343	6,999,343
Marketable securities	—	—	449,134	464,650
Long-term investments	27,975,811	32,675,746	59,565,219	70,446,173

In thousand NTD

Financial Liabilities	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
Short-term loans	\$ 3,968,550	\$ 3,968,550	\$ 7,469,725	\$ 7,469,725
Payables	27,152,543	27,152,543	14,667,850	14,667,850
Long-term loans (including current portion)	40,756,062	40,756,062	8,059,464	8,059,464
Bonds payable	3,990,000	4,024,031	4,990,766	9,933,642

The methods and assumptions used to measure the fair value of financial instruments are as follows:

- The carrying amounts of short-term financial assets and liabilities approximate fair values due to their short maturities.
- The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investee companies are used as fair value.
- Market value is used for determining the fair value of bonds payable.
- Book value of long-term loans is used as fair value as the loans bear floating rates.

ATTACHMENTS TO NOTES

Attachment 1 - Loans to others attributed to financial activities as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

No.	Names of lending company	Accounts name	Name of the borrowers	The credit limit set up by the company for its respective borrower	The highest balance during 2000	The ending balance	Interest rate	The reason for lending	Collateral	Value of collateral	The yearly amount of sales to (purchase from) the borrower	The ceiling of fund financing for the borrower
1	UMC Group (USA)	Receivable from employee's loans	The Company's employees	N/A	USD 3,308,000	USD 2,618,000	7.00%	Employee loan	None	N/A	None	N/A

Attachment 2 - The endorsements and guarantees provided by the Company to others as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

No.	Guarantor	Guarantee	Relationship with the Company	The limit of guarantee for such party	The highest outstanding guarantee amount during 2000	The outstanding guarantee amount at Dec. 31, 2000	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee for the respective party
1	Nippon Foundry Inc.	A director and employee	A director and employee	JPY 1,125,248,000	JPY 1,200,640,000	JPY 1,125,248,000	JPY 1,000,000,000	1.70%	JPY1,125,248,000

Attachment 3 - The ending balance of securities held by the Company as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 2000				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
December 31, 2000								
United Microelectronics Corporation								
Stock	United Foundry Service Inc.	Investee company	Long-term investment	2,005	67,432	100.00%	N/A	None
Stock	UMC Group (USA)	Investee company	Long-term investment	16,438	718,271	100.00%	N/A	None
Stock	Fortune Venture Capital Corporation	Investee company	Long-term investment	299,994	3,766,868	99.99%	N/A	None
Stock	Hsun Chieh Investment Corporation	Investee company	Long-term investment	1,417,294	28,611,676	99.97%	N/A	None
Stock	United MicroMachining Corp.	Investee company	Long-term investment	6,000	26,399	60.91%	N/A	None
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	353,158	49.99%	N/A	None
Stock	Dupont Photomasks Taiwan Ltd.	Investee company	Long-term investment	77,810	942,896	47.16%	N/A	None
Stock	Nippon Foundry Inc.	Investee company	Long-term investment	120	6,960,008	47.10%	31,560,298	None
Stock	Trecenti Technologies, Inc.	Investee company	Long-term investment	240	3,427,304	40.00%	N/A	None
Stock	Broadmedia, Inc.	Investee company	Long-term investment	10,000	—	39.38%	N/A	None
Stock	World Wiser Electronics Incorporated	Investee company	Long-term investment	132,093	2,596,312	38.97%	5,979,172	None
Stock	Unipac Optoelectronics Corp.	Investee company	Long-term investment	530,247	7,774,055	38.71%	9,378,014	None
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	43,170	657,281	35.39%	N/A	None
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	45,045	861,690	29.80%	N/A	None
Stock	Integrated Technology Express Inc.	Investee company	Long-term investment	26,855	336,495	28.78%	N/A	None
Stock	Applied Component Technology Corporation	Investee company	Long-term investment	10,048	120,328	27.96%	137,989	None
Stock	Faraday Technology Corp.	Investee company	Long-term investment	18,541	346,998	21.43%	3,565,509	None
Stock	Mediatek Incorporation	Investee company	Long-term investment	41,160	1,246,785	18.98%	N/A	None
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	7,000	826,184	16.39%	1,549,792	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company	Long-term investment	13,500	126,066	14.06%	N/A	None
Stock	PixTech, Inc.	None	Long-term investment	9,883	561,080	18.10%	423,226	None
Stock	United Industrial Gases Co., Ltd.	None	Long-term investment	11,566	146,250	11.25%	N/A	None
Stock	Sino-Aerospace Investment Corp.	None	Long-term investment	28,500	86,588	11.11%	N/A	None
Stock	National Venture Capital Corporation	None	Long-term investment	6,000	60,000	11.09%	N/A	None
Stock	Pacific Technology Partners, L.P.	None	Long-term investment	—	51,353	11.00%	N/A	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	47,358	500,880	8.05%	N/A	None
Stock	Vialta.com, Inc.	None	Long-term investment	7,600	622,835	7.82%	N/A	None
Stock	Subtron Technology Co., Ltd.	None	Long-term investment	16,000	240,000	7.41%	N/A	None
Stock	Industrial Bank of Taiwan	The Promoter	Long-term investment	116,725	1,150,000	5.00%	N/A	None
Stock	TECO Electric & Machinery Co., Ltd.	The director and supervisor of the Company	Long-term investment	70,713	1,535,895	3.96%	1,299,910	None
Stock	Tonbu, Inc.	None	Long-term investment	938	243,750	3.43%	N/A	None

Attachment 3- Continued (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 2000				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
December 31, 2000								
United Microelectronics Corporation								
Stock	Chiao Tung Bank	The director of the Company	Long-term investment	75,000	3,108,656	3.07%	1,887,738	None
Stock	SAMPO Corporation	The director of the Company	Long-term investment	30,950	443,599	2.96%	393,065	None
Stock	Dyna Image Corp.	None	Long-term investment	4,244	28,663	1.67%	77,137	None
Stock	National Securities Corporation	None	Long-term investment	14,251	239,316	1.26%	125,565	None
Stock	Stark Technology Inc.	None	Long-term investment	967	10,552	1.16%	133,760	None
Stock	Premier Camera Taiwan Ltd.	None	Long-term investment	2,041	27,964	0.72%	93,138	None
Stock	Lexar Media Inc.	None	Long-term investment	100	2,488	0.17%	10,377	None
Hsun Chieh Investment Corporation								
Stock	UniMicron Technology Corp.	Investee company	Long-term investment	84,559	1,364,153	43.93%	N/A	None
Stock	Harvatek Corporation	Investee company	Long-term investment	15,351	204,541	33.37%	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	14,994	207,521	15.78%	N/A	None
Stock	Enovation Group, Inc.	Investee company	Long-term investment	7,172	73,807	14.34%	N/A	None
Stock	Integrated Photonics, Inc.	None	Long-term investment	300	6,244	11.46%	N/A	None
Stock	Golden Technology Venture Capital Investment	The director of the Company	Long-term investment	8,000	80,000	10.67%	N/A	None
Stock	Cnyes.Com, Inc.	None	Long-term investment	5,000	62,640	9.81%	N/A	None
Stock	Ascend Semiconductor Corporation	The Company is the director and supervisor	Long-term investment	3,600	36,000	9.00%	N/A	None
Stock	NCTU Spring I Technology Venture Capital	The Company is the director	Long-term investment	4,284	43,482	8.60%	N/A	None
Stock	Faraday Technology Corp.	Investee company to UMC	Long-term investment	5,648	1,286,510	6.77%	1,308,880	None
Stock	Pst International, Inc.	The Company is the director	Long-term investment	1,200	18,000	6.70%	N/A	None
Stock	Advance Microelectronics Product Inc.	None	Long-term investment	7,000	126,000	6.36%	N/A	None
Stock	NCTU Spring Venture Capital Co., Ltd.	The Company is the director	Long-term investment	2,000	20,000	6.28%	N/A	None
Stock	Cosmos Technology Venture Capital Investment	The Company is the director	Long-term investment	4,000	40,000	5.03%	N/A	None
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	1,163	213,021	4.85%	N/A	None
Stock	Nippon Foundry Inc.	Investee company to UMC	Long-term investment	11	777,044	4.41%	N/A	None
Fund	Taiwan Asia Pacific Venture Fund	None	Long-term investment	115	29,295	4.17%	N/A	None
Stock	Subtron Technology Co., Ltd.	The Company is the director	Long-term investment	7,800	99,000	3.61%	N/A	None
Stock	Sampo Semiconductor Corporation	None	Long-term investment	8,442	84,420	3.38%	N/A	None
Stock	United Microelectronics Corporation	Parent company	Long-term investment	366,008	29,592,654	3.19%	18,053,706	None
Stock	Sheng-Hua Venture Capital Corporation	None	Long-term investment	5,000	50,000	2.50%	N/A	None
Stock	PixArt Imaging Inc.	None	Long-term investment	1,000	10,000	2.00%	N/A	None
Stock	Chiao Tung Bank	The director of the Company	Long-term investment	46,721	1,882,974	1.91%	1,175,962	None
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	7,136	107,044	1.20%	N/A	None
Stock	Ingenuis Corp.	None	Long-term investment	240	29,813	0.66%	2,713	None
Stock	Cheng Hsun Electronics, Inc.	Investee company	Long-term investment	3,150	31,500	31.50%	N/A	None
Stock	Hsun Huei Technology, Inc.	Investee company	Long-term investment	3,100	31,000	31.00%	N/A	None
Stock	Plato Electronics (Cayman) Limited	Investee company	Long-term investment	28	424,539	30.00%	N/A	None
Stock	Elite Flash Storage Technology, Inc.	The Company is the director	Long-term investment	1,950	19,500	19.50%	N/A	None
Stock	Giga Solution	None	Long-term investment	8,750	105,000	19.44%	N/A	None
Stock	Patentop, Ltd.	None	Long-term investment	720	22,356	18.00%	N/A	None
Stock	AEM Technology, Inc.	None	Long-term investment	1,760	28,714	17.60%	N/A	None
Stock	Kits On Line Technology Corp.	None	Long-term investment	3,200	38,656	16.41%	N/A	None
Stock	Union Technology Corp.	The Company is the director	Long-term investment	1,800	18,000	15.00%	N/A	None
Stock	Epsy Communication, Inc.	None	Long-term investment	4,000	62,130	13.33%	N/A	None
Stock	Linden Technologies Inc.	None	Long-term investment	300	92,385	11.17%	N/A	None
Stock	NetEmpower Software Technologies Inc.	None	Long-term investment	1,500	92,388	9.42%	N/A	None
Stock	Alpha & Omega Semiconductor Inc.	None	Long-term investment	1,500	46,883	9.09%	N/A	None
Stock	Vialta.com, Inc.	None	Long-term investment	7,600	618,883	8.35%	N/A	None
Stock	Tonbu, Inc.	None	Long-term investment	2,000	185,017	7.90%	N/A	None
Stock	Formerica International Holding Inc.	None	Long-term investment	2,000	30,898	6.51%	N/A	None
Stock	VenGlobal Capital Fund III, L.P.	None	Long-term investment	—	16,190	4.00%	N/A	None
Stock	Industrial Bank of Taiwan	None	Long-term investment	9,000	90,000	3.81%	N/A	None
Stock	Broadcom Corporation.	None	Long-term investment	700	70,941	3.38%	N/A	None
Stock	Hantek Technology Co., Ltd.	None	Long-term investment	1,501	45,030	3.34%	N/A	None
Stock	Aurora System, Inc.	None	Long-term investment	550	72,226	2.99%	N/A	None
Stock	Trisected Corp.	None	Long-term investment	360	16,913	2.19%	N/A	None
Stock	Primarion, Inc.	None	Long-term investment	418	31,800	1.26%	N/A	None
Stock	King-Yuan Electronics Co., Ltd.	None	Long-term investment	1,000	70,000	0.38%	N/A	None
Stock	Netlogic Microsystems Inc.	None	Long-term investment	100	3,195	0.34%	N/A	None
Stock	Lite Lineonit Corp.	None	Long-term investment	800	58,400	0.33%	N/A	None
Stock	Evertrac, Inc.	None	Long-term investment	—	31,275	—	N/A	None
Membership Card	Golf Club Membership Card	None	Long-term investment	—	60,000	—	N/A	None

Attachment 3 - Continued (Amount in thousand NTD unless otherwise stated)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 2000				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
December 31, 2000								
Fortune Venture Capital Corporation								
Stock	APTOS Corp.	Investee company	Long-term investment	36,886	393,250	35.13%	N/A	None
Stock	Broadmedia Inc.	Investee company	Long-term investment	12,500	138,464	24.53%	N/A	None
Stock	Systematic Designs International Inc.	None	Long-term investment	1,300	10,178	19.50%	N/A	None
Stock	Silicon Perspective Corp.	None	Long-term investment	800	57,600	19.16%	N/A	None
Stock	PixArt Imaging Inc.	The Company is the director	Long-term investment	8,372	117,917	16.74%	N/A	None
Stock	Softchina Venture Group Ltd.	The Company is the director	Long-term investment	6,000	60,000	15.00%	N/A	None
Stock	Epitech Corp.	The Company is the director	Long-term investment	4,658	47,300	14.33%	N/A	None
Stock	Thin Film Module, Inc.	None	Long-term investment	5,287	52,870	13.91%	N/A	None
Stock	Advance Materials Corporation	Investee company	Long-term investment	12,800	137,989	13.47%	N/A	None
Stock	AMIC Technology (Taiwan), Inc.	Investee company	Long-term investment	12,716	243,106	13.25%	N/A	None
Stock	Urex Precision, Inc.	None	Long-term investment	1,977	19,772	13.18%	N/A	None
Stock	Triscend Corporation	None	Long-term investment	1,750	188,957	10.23%	N/A	None
Stock	Integrated Telecom Express Inc.	Investee company	Long-term investment	4,000	421,101	9.70%	N/A	None
Stock	Linktech Microelectronics Corp.	None	Long-term investment	1,215	34,450	8.10%	N/A	None
Stock	Shin-Etsu Handdotai Taiwan Co., Ltd.	None	Long-term investment	10,500	105,000	7.00%	N/A	None
Stock	Trident Technologies, Inc.	None	Long-term investment	1,350	16,875	6.75%	N/A	None
Stock	Pst International, Inc.	None	Long-term investment	1,200	12,000	6.70%	N/A	None
Stock	Programmable Microelectronics (Taiwan) Corp.	None	Long-term investment	2,004	20,042	6.68%	N/A	None
Stock	Tripath Technology, Inc.	None	Long-term investment	500	158,235	5.50%	262,230	None
Stock	Vialta.com, Inc.	None	Long-term investment	3,800	313,205	4.18%	N/A	None
Stock	The 3CX U.S.A.	None	Long-term investment	180	5,814	3.95%	N/A	None
Stock	SiRF Technology Inc.	None	Long-term investment	875	119,436	3.51%	N/A	None
Stock	Ominivision Vision Technology Inc.	None	Long-term investment	540	22,272	3.34%	130,318	None
Stock	Tvia, Inc.	None	Long-term investment	700	14,435	2.41%	154,224	None
Stock	CTS Computer Technology System Corp.	None	Long-term investment	1,717	27,694	2.00%	N/A	None
Stock	Hsin Chu Chen-Tao CATV Co., Ltd.	None	Long-term investment	349	3,489	1.40%	N/A	None
Stock	Orchid Biocomputer, Inc.	None	Long-term investment	380	90,478	1.20%	124,465	None
Stock	Velio Communications Inc.	None	Long-term investment	110	30,817	0.54%	N/A	None
Stock	Springsoft Inc.	None	Long-term investment	214	6,832	0.46%	27,303	None
Stock	Sino-American Silicon Products Inc.	None	Long-term investment	284	6,635	0.33%	N/A	None
Stock	Shuttle Inc.	None	Long-term investment	360	7,828	0.26%	2,647	None
Stock	United Microelectronics Corporation	Investor company	Long-term investment	13,333	171,858	0.12%	657,680	None
Stock	Aurora System, Inc.	None	Long-term investment	2,500	222,072	13.87%	N/A	None
Stock	Iglobe Partners Fund L.P.	None	Long-term investment	—	63,318	7.42%	N/A	None
Stock	Alpha & Omega Semiconductor	None	Long-term investment	1,500	46,312	5.00%	N/A	None
Stock	IXMICRO Inc.	None	Long-term investment	333	49,534	4.44%	N/A	None
Stock	EPIC Technologies Inc.	None	Long-term investment	23	34,240	2.24%	N/A	None
Stock	Rise Technology	None	Long-term investment	500	41,811	2.14%	N/A	None
Stock	Monetary Design Systems Inc.	None	Long-term investment	394	34,201	2.06%	N/A	None
Stock	Arcadia Design Systems Inc.	None	Long-term investment	162	26,203	1.45%	N/A	None
Stock	Crystal Internet Venture Fund II	None	Long-term investment	20	41,757	0.99%	N/A	None

Attachment 4 - The cumulative buying or selling of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

Name of the securities	Beginning balance		Addition		Disposal		Ending balance		Gain/Loss from disposal	
	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	Cost	No. of shares (thousand)		Amount
December 31, 2000										
United Microelectronics Corporation										
Yuan-Ta New Main Stream Fund	9,500	9,500	—	—	9,500	117,895	95,000	—	—	22,895
Truswell Truswell Fund	16,000	160,000	—	—	16,000	159,777	160,000	—	—	(223)
Shanghai Fudan Microelectronics Company Limited	—	—	12,372	39,808	12,372	125,841	39,808	—	—	86,032
Nippon Foundry Inc.	107	1,550,124	13	3,835,112	—	—	—	120	6,960,009	—
Trecenti Technologies, Inc.	—	—	240	3,664,000	—	—	—	240	3,427,304	—
PixTech, Inc.	1,111	137,750	9,320	454,440	—	—	—	9,883	561,080	—
Tonbu, Inc.	—	—	938	243,750	—	—	—	938	243,750	—
Subtron Technology Co., Ltd.	—	—	16,000	240,000	—	—	—	16,000	240,000	—
AMIC Technology (Taiwan), Inc.	—	—	13,500	135,000	—	—	—	13,500	126,066	—
Focus Semiconductor Corp.	24,600	121,896	—	—	24,600	121,897	121,896	—	—	1
Unipac Optoelectronics Corp.	510,741	7,515,473	—	—	7,494	224,820	165,402	503,247	7,774,055	59,418

Attachment 4 - Continued (Amount in thousand NTD unless otherwise stated)

Name of the securities	Beginning balance		Addition		Disposal		Ending balance		Gain/Loss from disposal	
	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	Cost	No. of shares (thousand)		Amount
December 31, 2000										
United Microelectronics Corporation										
Catalyst Semiconductor, Inc.	650	107,328	—	—	650	179,830	107,328	—	—	52,903
AMIC Technology Inc.	15,000	221,494	—	—	15,000	135,000	215,517	—	—	(80,517)
Fortune Venture Capital Corporation										
Unipac Optoelectronics Corp.	25,245	354,973	—	—	25,245	409,616	354,973	—	—	54,643
APTOS Corp.	25,523	291,812	11,363	170,443	—	—	—	36,886	393,250	—
AMIC Technology (Taiwan), Inc.	7,200	72,000	5,516	137,900	—	—	—	12,716	243,106	—
Hsun Chieh Investment Corporation										
Unimicron Technology Corp.	85,990	1,059,610	8,389	192,948	9,820	339,000	133,214	84,559	1,364,153	205,786
Advance Materials Corp.	4,054	44,212	10,940	163,950	—	—	—	14,994	207,521	—
Unipac Optoelectronics Corp.	28,832	513,222	—	—	28,832	558,700	513,222	—	—	45,478
Tonbu, Inc.	—	—	2,000	185,017	—	—	—	2,000	185,017	—
Plato Electronics (Cayman) Limited	—	—	28	424,539	—	—	—	28	424,539	—
China Unicon Ltd.	—	—	11,500	708,922	11,500	826,261	708,922	—	—	117,339
Giga Solution	—	—	8,750	105,000	—	—	—	8,750	105,000	—

Remark(1): The ending balance also includes other additions or deductions not shown on the above schedule, including long-term equity investment income or loss, cumulative translation adjustment, changes in long-term investment due to unproportionate changes in ownership, and unrealized loss in long-term investment, etc.

Remark(2): Gain/Loss from disposal of security were computed by deducting cost, handling charge and exchange loss or gain from sale amount.

Attachment 5 - Acquisition of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	The relationship with the Company	Original owner who sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The bases or reference used in deciding the price	Other commitments
December 31, 2000											
United Microelectronics Corporation											
Land	Dec.15, 2000	127,457	Paid	An individual	None	—	—	—	—	Market value	—

Attachment 6 - Disposal of real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

Names of properties	Date of transaction	Acquisition date of the properties	Book value	Transaction amount	Status of payment Receiving	Gain/ Loss on disposal	Counter party	The relationship with the Company	Reason for disposal	The bases or reference used in deciding the price	Other commitments
December 31, 2000											
United Microelectronics Corporation											
UMC Fab 5A	April 8, 2000	May 31, 1991 - March 21, 2000	138,373	109,000	Received	(29,373)	Episil Technologies Inc.	None	Retiring phased-out fabs	Market value	None

Attachment 7 - Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year 2000 (Amount in thousand NTD unless otherwise stated)

Name of related parties transactions	Relationship with the Company	Transactions			Notes & Accounts receivable (payable)		
		Purchase (Sales)	Amount	Percentage of purchase (sales)	Term	Balance	Percentage of account
2000							
United Microelectronics Corporation							
UMC Group (USA)	Investee company	Sales	42,609,198	40%	60days	6,854,152	43%
United Microelectronics (Europe) B.V	The director is the chairman of the Company	Sales	11,849,367	11%	60days	2,119,103	13%
United Microelectronics Co., Ltd. Hong Kong	The director is the chairman of the Company	Sales	697,223	1%	60days	182,677	1%
Mediatek Incorporation.	Investee company	Sales	4,938,704	5%	60days	189,338	1%
AMIC Technology (Taiwan), Inc.	Investee company	Sales	2,286,648	2%	60days	564,810	4%
Novatek Microelectronics Corp.	Investee company	Sales	1,752,171	2%	60days	172,035	1%
Formosa Links Pte Ltd.	The director is the chairman of the Company	Sales	1,370,859	1%	60days	404,382	3%
Applied Component Technology Corp.	Investee company	Sales	887,125	1%	60days	65,547	—
Integrated Technology Express Inc.	Investee company	Sales	610,022	1%	60days	53,702	—
DAVICOM Semiconductor Inc.	Investee's subsidiary	Sales	343,942	—	60days	18,523	—
Faraday Technology Corp.	Investee company	Sales	1,001,979	1%	60days	144,500	1%
Holtek Semiconductor Inc.	Investee company	Sales	1,007,099	1%	60days	313,070	2%
Applied Component Technology Corp.	Investee company	Purchase	490,142	2%	60days	(85,444)	1%
Dupont Photomasks Taiwan Ltd.	Investee company	Purchase	961,567	5%	60days	(181,075)	3%
Nippon Foundry Inc.	Investee company	Purchase	579,827	3%	60days	(65,196)	1%
UMC Group (USA)							
United Microelectronics Corporation	Parent company	Purchase	USD 1,360,399,000	99.6%	55days	(USD 207,821,000)	100%
Nippon Foundry Inc.	Subsidiary	Purchase	USD 5,984,000	0.4%	60days	(USD 81,000)	—
Integrated Technology Express Inc.	Subsidiary	Sales	USD 15,921,000	1.1%	—	USD 4,111,000	1.8%
Nippon Foundry Inc.							
United Microelectronics Corporation	Parent company	Sales	JPY 1,933,285,000	5.3%	60days	JPY 348,221,000	2.7%
United Microelectronics Corporation	Parent company	Operating expense	JPY 502,112,000	2.0%	—	JPY 1,185,000	0.3%
UMC Group (USA)	Affiliated company	Sales	JPY 626,943,000	17%	60days	JPY 11,651,000	0.1%

Attachment 8 - Receivable from related parties exceeding the lower of NT\$100 million and 20 percent of the capital stock as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

Name of the counter party	Relationship with the counter party	Balance of receivable from related party				Turnover rate (times)	Overdue receivable		Subsequent received amount	Bad debt allowance provided
		Notes Receivable	Accounts Receivable	Other Receivables	Amount		Amount	Collection		
December 31, 2000										
United Microelectronics Corporation										
United Microelectronics (Europe) B.V	The director is the chairman of the Company	—	2,119,103	—	2,119,103	8.07	871	—	863,198	20,983
UMC Group (USA)	Investee company	—	6,854,152	—	6,854,152	11.40	1,826	—	42,371	69,886
AMIC Technology (Taiwan), Inc.	Investee company	13,418	551,392	1,806	566,616	8.00	162,014	Credit Collecting	—	7,150
Formosa Links Pte Ltd.	The director is the chairman of the Company	—	404,382	—	404,382	6.81	1	Credit Collecting	—	4,008
Mediatek Incorporation	Investee company	—	189,338	404	189,742	23.89	2,453	Credit Collecting	—	2,363
United Microelectronics Co., Ltd., Hong Kong	A director is the chairman of the Company	—	182,677	—	182,677	2.68	62,034	—	15,775	2,381
Novatek Microelectronics Corp.	Investee company	—	172,035	371	172,406	10.30	—	Credit Collecting	986	1,724
Holtek Semiconductor Inc.	Investee company	161,785	151,285	2,874	315,944	5.89	138	Credit Collecting	—	1,584
Faraday Technology Corp.	Investee company	—	144,500	—	144,500	9.39	20,201	Credit Collecting	—	4,135
Ascend Semiconductor Corp.	Investee company	—	102,814	—	102,814	4.02	3,362	Credit Collecting	—	1,062
Nippon Foundry Inc.										
United Microelectronics Corporation	Parent company	—	JPY 348,211,000	—	JPY 348,211,000	—	—	—	—	0.5% of Accounts Receivable

Attachment 9 - Related information on investee companies as of December 31, 2000 (Amount in thousand NTD unless otherwise stated)

Investee company Address	The main business scopes	Initial Investment		Shares held by the Company			The net income of the investee company	The gain /loss recorded by the Company	Note
		Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
December 31, 2000									
United Microelectronics Corporation									
UMC Group (USA) 488 DeGuigne Drive Sunnyvale, CA 94086, USA	IC Sales	USD 16,437,000	USD 13,150,000	16,438	100.00%	718,271	USD 3,443,000	92,468	
United Foundry Service, Inc. 489 DeGuigne Drive Sunnyvale, CA 94086, USA	Supervising and monitoring group project	USD 2,005,000	—	2,005	100.00%	67,432	USD 173,000	5,357	
Fortune Venture Capital Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan	Consulting and planning for investment in new business	2,999,940	2,999,940	299,994	99.99%	3,766,868	(37,082)	(37,078)	
Hsun Chieh Investment Corporation 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan	Investment	14,172,940	13,998,000	1,417,294	99.97%	28,611,676	1,022,231	1,021,226	
United MicroMachining Corp. 1557A Center Pointe Dr., Milpitas, CA 95035	R&D, manufacturing & sales of delicate machinery	USD 1,500,000	USD 1,500,000	6,000	60.91%	26,399	USD 5,392,000	(1,766)	
Pacific Venture Capital Co., Ltd. 5F, No.420, Fu-Hsin N. Rd. Taipei	Venture capital consultation	300,000	300,000	30,000	49.99%	353,158	101,602	50,856	
Dupont Photomasks Taiwan Ltd. No.3, Li-Shin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan	Manufacturing of photomasks	780,502	785,005	77,810	47.16%	942,896	359,017	169,783	
Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	JPY 20,126,316,000	JPY 8,327,638,000	120	47.10%	6,960,008	JPY 13,175,863,000	2,301,690	
Trecenti Technologies, Inc. 751, Horiguchi, Hitachinaka-Shi, Ibaraki-ken, Japan	IC production and sales	JPY 30,000,000,000	—	240	40.00%	3,427,304	(JPY 1,993,514,000)	(236,696)	Note1
Broadmedia, Inc. 1135 Kern Avenue, Sunnyvale, CA 94086	Telecom IC design and sales	USD 5,000,000	USD 5,000,000	10,000	39.38%	—	(USD 9,183,000)	(74,499)	
World Wiser Electronics Inc. No.66-6, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan	PCB production	2,548,658	1,250,121	132,093	38.97%	2,596,312	950,923	277,938	
Unipac Optoelectronics Corp. No.3, Industrial East Rd. 3, Science-Based Industrial Park, Hsin-Chu, Taiwan	LCD component sales and manufacturing	7,631,687	7,745,333	503,247	38.71%	7,774,055	1,101,502	371,116	
Holtek Semiconductor Inc. No. 3, Creation Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan	IC production and sales	456,709	—	43,170	35.39%	657,281	611,262	228,800	
Novatek Microelectronics Corp. 2F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan	IC production and sales	150,000	150,000	45,045	29.80%	861,690	1,085,991	336,451	
Integrated Technology Express, Inc. 3F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan	IC production and sales	239,770	239,770	26,855	28.78%	336,495	123,832	40,667	
Applied Component Technology Corp. 12F-5, No.171 Sung The Rd., Taipei	Electronic component design and sales	15,558	18,000	10,048	27.96%	120,328	42,621	14,193	
Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan	ASIC design and production	62,455	62,455	18,541	21.43%	346,998	649,202	142,800	
Mediatek Incorporation 1F, No.13, Innovation Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan	IC production and sales	90,000	90,000	41,160	18.98%	1,364,153	3,326,543	661,396	
Integrated Telecom Express, Inc. 2710 Walsh Ave., Santa Clara, CA 95095	IC production and sales	USD 2,000,000	USD 2,000,000	7,000	16.39%	826,184	(USD 16,838,000)	(102,559)	
AMIC Technology (Taiwan), Inc. 15F, No.3, Li-Hsin Rd. 2, Science-Based Industrial Park, Hsin-Chu, Taiwan	IC production and sales	135,000	—	13,500	14.06%	126,066	441,482	(8,934)	
Hsun Chieh Investment Corporation									
UniMicron Technology Corp. No.66-5, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan, Taiwan	PCB production	1,287,393	1,094,446	84,559	43.93%	1,364,153	502,761	229,079	
Harvatek Corporation No. 21, Alley 17, Lane 99, Chung Hwa Rd., Hsin-Chu, Taiwan	IC testing, production, packaging and sales	212,465	212,465	15,351	33.37%	204,541	10,108	(7,690)	

Attachment 9 (Continued) (Amount in thousand NTD unless otherwise stated)

Investee company Address	The main business scopes	Initial Investment		Shares held by the Company			The net income of the investee company	The gain /loss recorded by the Company	Note
		Ending balance	Beginning balance	Number of shares (thousand)	Percentage	Book value			
December 31, 2000									
Hsun Chieh Investment Corporation									
Cheng Hsun Electronics Inc. 3F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan	Electronic component production	31,500	—	3,150	31.50%	31,500	—	—	Note2
Hsun Huei Technology Inc. 2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan		31,000	—	3,100	31.00%	31,000	—	—	Note2
Plato Electronic (Cayman) Limited Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, Cayman Islands, British West Indies	Holding Company	424,539	—	28	30.00%	424,539	—	—	Note2
Advance Materials Corporation No.498-2, Nan Shan Road Sec.2, Lu-Chu, Taoyuan, Taiwan		208,162	—	14,994	15.78%	207,521	(18,260)	(1,932)	
Enovation Group, Inc. 6F-7, No.103, Sec.2, Fu Shin S. Rd., Taipei, Taiwan	Development and sales of internet applications	80,000	80,000	7,172	14.34%	73,807	178,117)	(6,012)	
Faraday Technology Corp. 7F-3, No.9, Prosperity Rd. 1, Science-Based Industrial Park, Hsin-Chu, Taiwan	ASIC design and production	1,308,880	—	—	6.53%	1,286,511	649,202	(19,158)	
Integrated Telecom Express, Inc. 2710 Walsh Avenue, Santa Clara, CA 95051, USA	IC production and sales	96,248	—	1,163	4.85%	213,021	(USD 16,838,000)	(43,989)	
Nippon Foundry Inc. No.1580 Yamamoto, Tateyama-City, Chiba, Japan	Sales and manufacturing of integrated circuit fabrication	240,665	240,655	11	4.41%	777,044	JPY 13,175,863,000	298,814	

Note1: Investment income/loss was recognized in the next season.

Note2: Investment income/loss was recognized in the next year.