



ProMOS Technologies Inc.
2002 ANNUAL REPORT

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www.andersen.com/website.nsf/content/countriestaiwan!opendocument

■ **Spokesman of the Company:**

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■ **GDR and ECB Listing Place :**

Listing Place : Luxembourg

■ **Internet Address of the Company:** www.promos.com.tw

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Letter to Shareholders

Dear Shareholders:

Year 2002 was the most crucial year for ProMOS' growth since its establishment six years ago. Along with the dissolution of the Product Purchase and Capacity Reservation Agreement which was signed when the company was first established, and its restrictions on ProMOS' control of production capacity, ProMOS will be entitled to the full control of all production capacity in the future. This will enable ProMOS to seek improvement in its competitive advantages and to allow its continuous expansion of the supply to global customers, and result in the exposure in the niche type memory markets that ProMOS has dedicated itself to the development. Elevating the company's position as a respected supplier of complete memory intellectual property and full-blown product development and operation, together with technology development and capability in global marketing, will serve as the foundation for the company's long-term growth.

ProMOS has been striving to the corporate mission of "fast technology migration and cost efficiency" for a couple years. As the company passed through the various memory generations, from 0.35 μ m, 0.25 μ m, 0.20 μ m, 0.17 μ m then down to the existing 0.14 μ m, ProMOS has achieved greater success than its peers by completing mass production of each new generation product within a couple of months. The rapid upgrading of process technology as well as the outstanding achievement in 300mm ramping up both presented significant milestones to ProMOS' state-of-the-art technology development and further enhanced its cost effectiveness and competitiveness. While paying attention to the DRAM industry, which yields cost effectiveness through scale of economy, there has been a trend whereby the company has strengthened its corporate competitiveness by concentrating on 300mm wafer development. In the past years, ProMOS passed the qualification for its 300mm fab by many world leading IC makers, and has begun mass production in 2002 and was the only one 300mm DRAM fab in Taiwan with steady growth and output of mass production wafers. The expected economic efficiency from this 300mm fab will further improve ProMOS' operating performance this year, and provide ProMOS with a stronger foundation for advanced technology development and market expansion.

Proprietary technology and R&D capabilities are the core competences that the company relies on for longer term growth and competitiveness. With this mission, ProMOS intends to expand along the following two tracks: (1) "Continuous development of advanced technologies." ProMOS has began the trial production of 0.11 μ m and 0.12 μ m technologies and plan to have both the 300mm fab and 200mm fab evolve to mass production using 0.11 μ m and 0.12 μ m process technology in the latter half of this year. Consequently, the company will fully explore the cost advantages and economic of scale of the 300mm wafer through high-density DRAM product manufacture, while enhancing the overall production performance and economic of scope of the 200mm fab. (2) "Expand core technology competence by strategic alliance". The recent developments cover the most advanced process technology of 0.09 μ m, as well as the multi-chip module (MCM) and SoC integration technology. These core technologies in development will further enhance ProMOS' technology capability and product diversification.

Within the future development roadmap, the global marketing capacity of branded products play a key role for ProMOS. In the past 12 months, ProMOS has been engaged in extending the existing 200mm wafer technology to accommodate high value-added products. The Pseudo SRAM passed qualification earlier this year, the low-power SDRAM and MCM products have entered into pilot production, with mass production planned from the second half of the year. By exploring from DRAM technology and integrating the R&D, manufacturing and marketing capabilities, ProMOS has poised to cultivate a broader market, and to become a comprehensive professional memory maker.

ProMOS sales revenue in 2002 was NT\$ 18.32 billion, 87% growth compared to that of 2001. The after-tax loss was NT\$ 2.05 billion, meaning an average loss per share of NT\$ 0.69. Due to the intense market fluctuation in 2002, sales revenue and after-tax profit for the year will reach 98% and -141% of the updated financial forecast respectively. The report given herewith is in accordance with relevant regulations promulgated by the Security and Futures Committee.

Chairman

■ A Brief Introduction to ProMOS Technologies

1. Company Profile

(1) Date of Incorporation

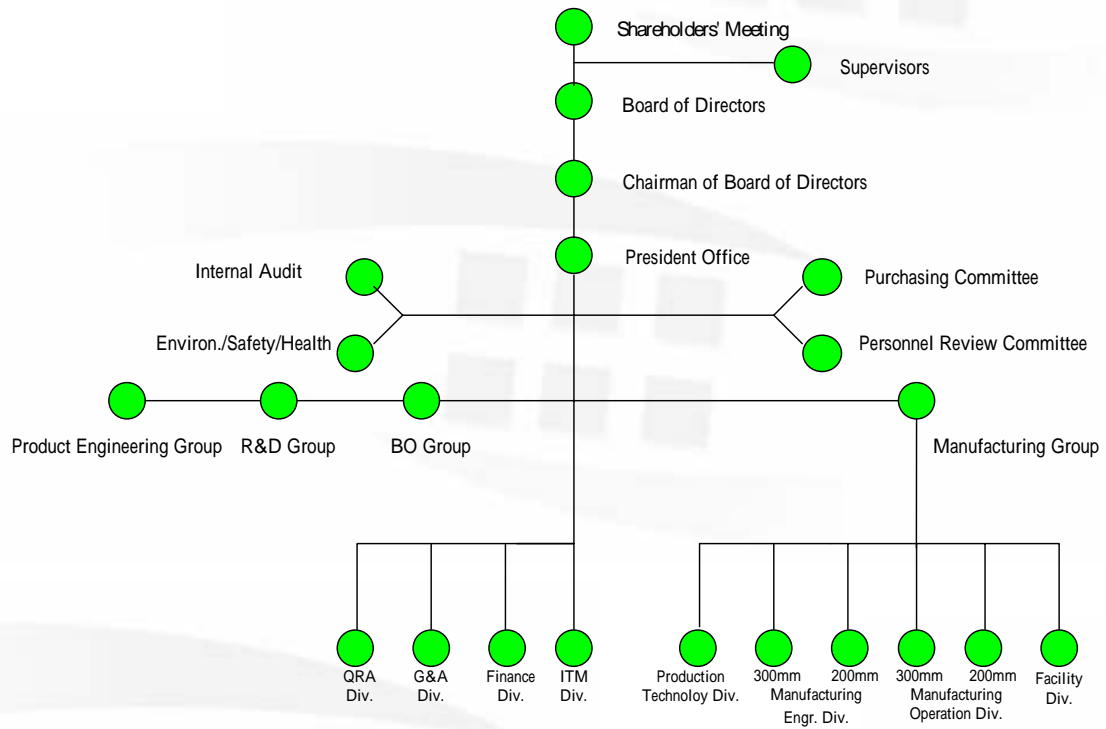
December 12, 1996

(2) Company History

1996 September	joint venture between MVI and Siemens
1996 December	company registration
1997 June	0.35 μ m qualification
1998 June	0.25 μ m 64Mb SDRAM mass production
1998 July	ISO 9002 Certification
1999 April	ISO 14000 Certification
1999 May	0.20 μ m 64Mb SDRAM mass production
1999 May	ProMOS listed on TAISDAQ
2000 September	0.17 μ m 128Mb SDRAM mass production
2001 August	pilot run of the first 300mm wafer
2001 September	first 300mm wafer out with yielding dice
2001 December	0.14 μ m 256Mb qualification and volume production
2002 March	300mm fab passed the product and process qualifications
2002 April	300mm fab mass production

2. Organization

(1) Company Organization



(2) Board Directors, Supervisors and Major Officers

Board Directors and Supervisors

Title	Name	Date Elected	Term Year	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Experience	Other Title	Relationship			Cash Compensation in 2002
				No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relationship	
Chairman	Hung-Chiu Hu	2003.01.10	3	11,186,273	0.31%	11,186,273	0.31%	-	-	-	-	Master Degree, Computer Science, UCLA The Chairman and President of Mosel	The Chairman of Mosel	-	-	-	-
Director	Hsing Tuan	2003.01.10	3	359,923	0.01%	359,923	0.01%	-	-	-	-	Master Degree, Engineering, Utah State Univ. Senior Vice President of Mosel	Director and Senior Vice President of Mosel	-	-	-	-
Director	M.L. Chen	2003.01.10	3	6,138,368	0.17%	6,138,368	0.17%	-	-	-	-	Ph.D., Electrical Engineering, Univ. of Rutgers Director of the Technology Transfer Division of Mosel	Director of Mosel	-	-	-	-
Director	Len Mei (Note 2)	2003.01.10	3	7,371,000	0.21%	5,458,000	0.15%	-	-	-	-	Ph.D., Material Science, Univ. of Illinois Wafer Fab Director of Readrite	Director of PlusMOS Technologies Inc.	-	-	-	-
Director	Rebecca Tang (Note 2)	2003.01.10	3	7,371,000	0.21%	5,458,000	0.15%	-	-	-	-	Master, Electrical Engineering, Univ. of Illinois Director, Manufacturing Engineering, ProMOS	-	-	-	-	
Director	Albert Lin (Note 2)	2003.01.10	3	7,371,000	0.21%	5,458,000	0.15%	-	-	-	-	Ph.D., Physics, Univ. of Massachusetts Director of Business Operation and Company Spokesman, ProMOS	-	-	-	-	
Director	Kwong-Weng Wan	2003.01.10	3	0	0%	0	0%	-	-	-	-	Univ. of Newcastle Upon Tyne, U.K., Honours Degree in Law	Director, Asia Pacific Legal Department, Infineon Technologies Asia Pacific Pte	-	-	-	-
Director	Lin-Wah Loh	2003.01.10	3	0	0%	0	0%	-	-	-	-	Univ. of Malaya, Honours Degree in Chemical Engineering	President & Managing Director, Infineon Technologies Asia Pacific Pte	-	-	-	-
Supervisor	Thomas Chang (Note 2)	2003.01.10	3	7,371,000	0.21%	5,458,000	0.15%	-	-	-	-	Master Degree, Engineering, Univ. of Cincinnati Front-end Production Dept. Vice President of Mosel	Vice President of Mosel	-	-	-	-
Supervisor	Angela Shih	2003.01.10	3	0	0%	0	0%	-	-	-	-	Univ. of National ChengChi Bachelor Degree in Commerce	Sr. Manager of Infineon Technologies Taiwan Ltd.	-	-	-	-

Note 1: The Current Shareholding is based on the actual holding shares as of April 30, 2003.

Note 2: Representative of corporate shareholder, Bou Da Investment Ltd.

Major Officers

Title	Name	Since	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Experience	Other Title	Relationship			Cash Compensatio n in 2002	Number of Employee Stock Option Granted
			No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relatio nship		
President	M.L. Chen	1997.01.01	6,138,368	0.17%	-	-	-	-	Ph.D., Electrical Engineering, Univ. of Rutgers Director of the Technology Transfer Division of Mose	Director of Mosel	-	-	-	-	-
Vice President	Len Mei	1997.10.01	2,006,443	0.06%	-	-	-	-	Ph.D., Material Science, Univ. of Illionis Wafer Fab Director of Readrite	Director of PlusMOS Technologies Inc.	-	-	-	-	-
Vice President	Rebecca Tang	2003.01.27	874,987	0.02%	-	-	-	-	Master, Electrical Engineering, Univ. of Illinois Director, Manufacturing Engineering, ProMOS	-	-	-	-	-	-

Note 1: The Current shareholding is based on the actual holding of shares as of April 30,2003

(3) Net Change in Shareholding and in Shares Pledged by Directors, Supervisors and Shareholders of 10% Shareholding or More

Net Change in Shareholding and in Shares Pledged by
Directors, Supervisors and Shareholders of 10% Shareholding or More

Title	Name	2002		01/01/2003 ~ 04/30/2003	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Hung-Chiu Hu	-	-	-	-
Director	M.L.Chen	-	-	-	-
Director	Hsing Tuan	-	-	-	-
Director	Len Mei (Note 1)	-	-	(1,913,000)	-
Director	Rebecca Tang (Note 1)	-	-	(1,913,000)	-
Director	Albert Lin (Note 1)	-	-	(1,913,000)	-
Director	Kwong-Weng Wan	-	-	-	-
Director	Lin-Wah Loh	-	-	-	-
Supervisor	Thomas Chang (Note 1)	-	-	(1,913,000)	-
Supervisor	Angela Shih	-	-	-	-
President	M.L.Chen	-	-	-	-
Vice President	Len Mei	(9,000)	800,000	-	100,000
Vice President	Rebecca Tang	-	-	-	-
Shareholders of 10% Shareholdings or More	Siemens AG.	(847,113,397)	-	-	-
Shareholders of 10% Shareholdings or More	Infineon Technologies AG.	991,413,397	-	(235,593,427)	-
Shareholders of 10% Shareholdings or More	Mosel Vitelic Inc.	(210,000,000)	10,380,693	(11,780,000)	(135,131,000)

Note 1: Representative of corporate shareholder, Bou Da Investment Ltd.

(4) Long-Term Investments Ownership : None.

3. Capital and Shares

(1) Source of Capital

Date	Issuance Price per share	Registered Capital		Outstanding Capital		Remark		
		Share (Thousand)	Value (Thousand) NT	Share (Thousand)	Value (Thousand) NT	Source of Capital	Other Source	Other
1996.12	10	2,000,000	20,000,000	1,100,000	11,000,000	Original investment		Note1
1997.07	10	2,000,000	20,000,000	1,650,000	16,500,000	Rights Issue		Note2
1998.07	12	2,000,000	20,000,000	1,950,000	19,500,000	Rights Issue		Note3
1999.11	46.6	2,150,000	21,500,000	2,100,000	21,000,000	Rights Issue		Note4
2000.08	10	4,000,000	40,000,000	2,708,024	27,080,238	Earnings Issue		Note5
2001.07	10	4,000,000	40,000,000	3,269,848	32,698,478	Earnings Issue		Note6
2002.05	16.8	4,000,000	40,000,000	3,569,848	35,698,478	Rights Issue		Note7

Note 1 : The company was established on December 12, 1996 with NT\$20 billion registered capital and NT\$11 billion paid-in. The application was approved by the Administration of Hsinchu Science-based Industrial Park on Oct. 28, 1996. Yen. Tou No. 18579 Letter

Note 2 : Issuance of new shares for cash subscription : June 2, 1997 (86) Tai. Chai. Jen (1) No. 43605 Letter

Note 3 : Issuance of new shares for cash subscription : April 22, 1998 (87) Tai. Chai. Jen (1) No. 33763 Letter

Note 4 : Issuance of new shares for cash subscription : September 2, 1999 (88) Tai. Chai. Jen (1) No. 62482 Letter

Note 5 : Issuance of new shares for earnings subscription : June 5,2000 (89) Tai. Chai. Jen (1) No. 48329 Letter

Note 6 : Issuance of new shares for earnings subscription : May 25,2001 (90) Tai. Chai. Jen (1) No. 132421 Letter

Note 7 : Issuance of new shares for cash subscription : April 29,2002 (91) Tai. Chai. Jen (1) No. 115599 Letter

Stock	Registered Capital			Remark
	Outstanding Capital	Unissuing Capital	Total	
Common Stock	3,569,847,846	430,152,154	4,000,000,000	Listed and traded on the OTC Securities Exchange

(2) Status of Shareholders

Status of Shareholders

	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Nature Persons	Foreign Institutions and Nature Persons	Total
Number of Shareholders	5	48	119	71,138	81	71,391
Shareholding	39,161,250	68,182,267	1,525,365,339	1,032,696,516	904,442,474	3,569,847,846
Holding Percentage (%)	1.10%	1.91%	42.73%	28.93%	25.33%	100%

(3) Distribution Profile of Shareholder Ownership

Distribution Profile of Shareholder Ownership

As of 04/30/2003

Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership %
1 ~ 999	8,612	2,723,942	0.08%
1,000 ~ 5,000	36,279	89,146,051	2.50%
5,001 ~ 10,000	10,968	89,965,571	2.52%
10,001 ~ 15,000	3,546	45,601,900	1.28%
15,001 ~ 20,000	3,353	62,847,917	1.76%
20,001 ~ 30,000	2,660	69,403,182	1.94%
30,001 ~ 50,000	2,476	101,957,065	2.86%
50,001 ~ 100,000	1,901	139,384,752	3.90%
100,001 ~ 200,000	985	141,189,314	3.96%
200,001 ~ 400,000	354	99,364,902	2.78%
400,001 ~ 600,000	101	49,436,119	1.38%
600,001 ~ 800,000	55	38,234,500	1.07%
800,000 ~ 1,000,000	24	22,165,225	0.62%
Over 1,000,001	77	2,618,427,406	73.35%
Total	71,391	3,569,847,846	100.00%

(4) Major Shareholders

Major Shareholders

Shareholders	Total Shares Owned	Ownership %
Mosel Vitelic Inc.	1,318,154,865	36.92 %
Infineon Technologies AG.	755,821,475	21.17 %

(5) Net Worth, Earnings, Dividends and Market Price Per Share

Item		Year		
		2001	2002	2003 Apr.30
Market Value Per Share	Highest	42.50	41.70	11.65
	Lowest	26.70	8.95	5.95
	Average	26.08	21.72	8.49
Net Value Per Share	before Distribution	10.38	9.97	9.61
	after Distribution	-	-	-
Earnings Per Share	Weighted-Average Shares	(1.86)	(0.60)	(0.37)
	Earnings Per Share	-	-	-
Dividend Per Share	Cash Dividend		-	-
	Stock Dividend Distributed	From Retained Earnings	1.90	-
		From Capital Surplus	-	-
	Accumulated Unpaid Dividend		-	-
The Analysis of Return on Investment	Price / Earning Per Share Ratio	(14.00)	(36.20)	(22.95)
	Price / Cash Dividend Per Share Ratio	-	-	-
	Return on Cash Dividend	-	-	-

(6) Dividend Policy

Net income after paying taxes shall be appropriated based on the financial statements of the Company, certified by the independent public accountant, in the following orders:

- a. Offsetting previously accumulated deficit;
- b. Provision for legal reserve at 10% of the net income or the remaining net income after deducting the accumulated deficit, if such remaining net income is less than 10% of current year's net income;
- c. Provision for special reserve under the regulation of statutes or authorities if deemed necessary;
- d. Bonus to employees equivalent to 10% of the net income after deducting items (a) to (c) above, as applicable;
- e. Bonus to director and supervisors equivalent to 2% of the remaining net income after deducting items (a) to (c) above, as applicable.

After the foregoing allocation to net income has been made, the shareholders shall make a decision on the disposition of the remaining net income based on the following criteria:

1. The dividends to shareholders may be paid in cash or in the form of stock dividends. Since the Company operates in an emerging industry that is both capital-intensive and technology-intensive, its demand for cash is expected to be high. Accordingly, its dividend policy should take into account the cash demand of its future capital expenditure requirements, and then the combination of the cash and stock dividend percentage shall be determined.

On the premises that the company can finance its annual capital planning, and the appropriable earning to shareholders exceeds(including) NTD 2 per share, the portion of appropriable earning which exceeds NTD 2 should be distributed no less than 10% in cash.

- 2.The Company can not distribute any dividend and bonus if it has no current year net income and has no un-appropriated retained earnings from prior years. However, after taking into account the Company's financial, business, operating situations, capital structure and other relevant factors, it is allowed to transfer all or portion of paid-in capital into common stock as stock dividend.

(7) Impact to Business Performance and EPS from Stock Dividends Distribution : None

(8) Distribution of Profit

ProMOS dividend policy is described in (6) Dividend Policy.

Because there is no profit in 2002, ProMOS will not pay dividends in this year.

(9) Buyback of Treasury Stock

Buyback of Treasury Stock

As of 04/30/2003

Buyback of Treasury Stock	First Time	Second Time
Purpose	Transfer to Employee	Transfer to Employee
Period	10/08/2001 ~ 11/18/2001	10/07/2002 ~ 12/06/2002
Price	NTD12 ~ NTD22	NTD12 ~ NTD22
Kind of Stock and Shares	Common Stock 15,396,000 Shares	Common Stock 94,885,000 Shares
Total Amount	NTD193,415,400	NTD1,199,398,914
Shares of Transfer	0	0
Accumulated Buyback Shares	15,396,000 Shares	110,281,000 Shares
Accumulated Buyback Shares Percentage (%)	0.47%	3.09%

4. Issuance of Corporate Bonds

Issuance		No. 1 st Euro Unsecured Convertible Bonds	No. 1 st Domestic Secured Bonds
Issuing Date		2001.April.06	2002.May.23 ~ June.04
Per Value		USD\$1,000	NTD\$1,000,000
Listing		Luxembourg	-
Offering Price		USD\$1,000	Par
Total Amount		USD\$180,000,000	NTD\$2,700,000,000
Coupon Rate		0%	4.2%
Tenure		5Years Maturity : 2006.April.06	5Years Maturity : 2007.May.23 ~ June.04
Trustee		Deutsche Bank	ICBC Bank
Underwriter		Deutsche Bank	-
Legal Counsel		Lee & Li	Lee & Li
Auditor		TN Soong & Co	TN Soong & Co
Outstanding		USD\$180,000,000	NTD\$2,700,000,000
Redemption or Early Repayment Clause		1. Unless previously redeemed, the bonds will be redeemed on the maturity date at 123.99%. 2. The bond holders have right to require the company to repurchase holders' bonds on April 7, 2003 at a price at 110.86%. 3. The company may redeem at a redemption price 100% of the unpaid principle if the closing price of the common shares on each of 30 consecutive trading days is at least 135% of the conversion price.	
Other Rights of Bondholders	Conversion Right	Yes	-
	Amount of Converted or Exchanged Common Shares, GDR or Other Securities as of 04/30/2003	USD\$10,000	-
Conversion Agent and Paying Agent		Deutsche Bank	-

5. Preferred Shares : None.

6. Issuance of Global Depository Receipts

Issuing Date		2002.May.16	
Issuance & Listing		Luxembourg	
Total Amount		USD\$145,920,000	
Offering Price per GDS		USD\$4,864	
Units Issued		30,000,000	
Underlying Securities		Common Shares	
Common Shares Represented		300,000,000 Shares	
Rights and Obligations of GDS Holders		Same as those of Common Share Holders	
Trustee		New York Bank	
Depository Bank		New York Bank	
Custodian Bank		ICBC Bank	
GDS Outstanding		30,976,470 Shares	
Apportionment of Expenses for the Issuance and Maintenance		Paid by New York Bank	
Terms and Conditions in the Deposit Agreement and Custody Agreement		-	
Closing Price per GDS	2002	High	USD\$7.32
		Low	USD\$2.64
		Average	USD\$4.66
	01/01/2003 ~ 04/30/2003	High	USD\$2.43
		Low	USD\$1.71
		Average	USD\$2.16

7. Status of Employee Stock Option Plan : None.

8. Status of Merger and Acquisitions : None.

Operation Highlights

1. Business Activities

(1) Business Scope

The company's major business is to research, design, develop, manufacture, assemble and sell memory products, while concurrently engaging in the import and export business related to the company.

The Company's Product (Service) Items in 2002

128Mb and 256Mb SDRAM; 64Mb, 128Mb and 256Mb DDR DRAM, and other niche type memory products.

New Product (Service) Items Planned to introduce in 2003

256Mb DDR SDRAM based on 0.12 μ m/0.11 μ m process technology and other niche memory products, including Pseudo SRAM and low-power SDRAM.

(2) Technology , Research and Development Status

(A) R&D Expenditures

We spent NT\$750million, NT\$1,190million and NT\$1,555 million in 2000, 2001 and 2002 in research and development, this accounts for 3.6% , 12.13% and 8.49% of annual sales respectively. In the coming years, ProMOS will concentrate in the development of own leading edge DRAM memory technologies. This will provide a strong and stable technical base to support both commodity and foundry products.

(B)Result and Outlook

About 200mm line

In the first half of 2002, ProMOS maintained cost effective stable production on 0.14 μ m 256M SDRAM, 0.17 μ m 128M SDRAM. Due to rapid market transition into DDR products, ProMOS completed product qualification of the 0.14 μ m 256M DDR DRAM in April 2002 and started mass production immediately. Using the aforementioned commodity DRAM technologies, ProMOS specialty DRAMs were developed and brought into mass production. These products include 128M DDR and 64M DDR DRAM.

To fulfill ProMOS' long-term strategy of high value-added product R&D, ProMOS completed the development of the 0.17 μ m 1T Pseudo SRAM process in Q4 with its strategic customers in order to participate in the growing cellular and PDA market. Pseudo SRAM is a product with a low power DRAM core, by designing the SRAM interface, Pseudo SRAM can replace low power 6T-SRAM which are currently used in cellular phones.

For 0.11 μ m development, pilot runs has started from July on 256M DDR product.

About 300mm line

ProMOS has rapidly ramped up its 300mm line and passed 0.14um 256M SDRAM product shipment qualification in March 2002. The Fab has started its volume production since April. In order to adjust for market situation, 300mm line also changed into 0.14um 256M DDR and completed shipment qualification in Nov. 2002. Wafer start has reached 9000 by end of 2002. This has reached the maximum planned capacity in Stage I of the 300mm Fab.

For 0.11um development, pilot runs has started from Nov on 256M DDR product.

Looking to year 2003 – About New Technologies

To make the most out of the current lithography tool without major investment in our 200mm line, 0.12um technology (shrink version of 0.14um) is being developed based on 256M DDR/LP SDRAM product family. Shipment qualification targeted at Q1/04.

Another important technology milestone is the 0.11um process qualification for both 200mm and 300mm line. It is targeted to pass qualification in Q3. Volume production will start with 256M DDR-400 and 512M DDR-II DRAM. To speed up the cost advantage of 300mm line, an expansion plan to reach 13500pcs/month by 2nd half of 2003 and further increase to 18000pcs/month by Q1 2004.

Looking to year 2003 – About Product Diversification

Diversification of the 200mm line to add specialty foundry products will be accelerated this year. Together with our world-renowned key customers, many products are already in trail production, pilot run or design stage. It is forecasted that these high value-added products, the Pseudo SRAM, low power DRAM and high speed DRAM – will enter mass production in the 2nd half of 2003.

2. Marketing and Production

(1) Market Analysis

(A) Markets

In 2002, ProMOS exported 97% of its products. The remaining 3% of its products were sold on the local market.

(B) Market Share

Shipping volumes realized by ProMOS in 2002 were equivalent to 128 million of 256Mb equivalent DRAM chips. Based on statistics provided by the IDC in March 2003, the overall shipment volume of DRAM in the global market in 2002 was 2,208 million pieces of 256Mb equivalent chips, of which ProMOS attained a 5.8% market share, enabling the company to rank among the top 10 leading DRAM manufacturer in the world.

(C) Future Market Supply and Demand

(a) New types of computers and DRAM specifications stimulate DRAM demand.

The total demand for DRAM in 2002 was 2,208 million 256Mb equivalent chips. Based on the IDC forecast for DRAM supply and demand, made in March 2003, the total demand for 2003 is estimated to show a growth of approximately 42%, to 3,135 million pieces of 256Mb DRAM. PCs (including desktop PCs, laptops and PC servers) and DRAM modules are the two major markets for DRAM, covering more than 80% of the total DRAM demand. PC sales volumes in 2002 totaled 136 million sets, a 9.6% growth over the 2001 figures. It is estimated that this figure will grow by 8% in 2003, reaching a total of 147 million. Last year, computer system hardware efficiency was boosted. As a result, 266MHz DDR SDRAM became the mainstream, and captured the majority of the SDRAM market. This year, the new generation chipsets launched by Intel will heighten the demand for 300MHz and 400MHz DDR SDRAM. The average installed DRAM capacity is estimated to increase from 268Mb in 2002 to 365Mb in 2003, a growth rate of 36%. The dual channel DRAM specification for the new type of computer chip set requires the installation of at least two DRAM modules, which will mean an even greater demand for DRAM in the future.

(b) DRAM production capacity expansion slows down

The 300mm fab is the main force behind future DRAM production capacity expansion. As a result, most DRAM plants have ceased 200mm fab production capacity expansion or have reduced their capital investment, and have transformed their old fabs to make products other than commodity DRAM. However, only ProMOS and Infineon have begun mass production in their 300mm fabs within the last 12 months, while only a few of other companies will possibly begin mass production this year. In contrast, the mass production process technology adopted by DRAM manufacturers at this current stage focuses primarily on 0.13/0.14µm process technology, and progress in process migration has also begun to slow down. It is estimated that the supply growth will decelerate by the end of 2004. This estimation is in accordance with IDC's report in March 2003 which showed that the supply of bit growth in 2002 only grew by 37%, while the estimated growth for DRAM supply in 2003 and 2004 is only in the range of 40~45%.

(c) Migration toward new generation product specifications

Although the overall world economic environment was still gloomy last year, DRAM boom has rebounded from the previous depression and has virtually wiped out the effects of the recession seen in 2000. Under the mutual replacement strategy for DDR and SDRAM products in the market, some product prices have actually found a positive performance space, despite the supply and demand trends for this year showing that the supply volume for SDRAM products in the first quarter has dwindled to 20% of the total supply, mainly serving computer upgrade needs. However, the majority of all new computers sold this year will be equipped with at least 266MHz DDR SDRAM. After the introduction of the new-generation chipsets developed by Intel in the second half of the year, the demand for 333MHz and 400MHz DDR DRAM with improved performance will grow appreciably. The increased demand generated by the new specifications will greatly improve product profitability.

(D) Business Targets

The estimated sales revenue for the Company in 2003 is NT\$ 22,327,246 thousand, an increase of NT\$ 4,005,514 thousand when compared with 2002 where the sales revenue was NT\$ 18,321,732 thousand, giving a growth rate of 21.86%. The before-tax net profit is estimated to be NT\$ 1,189,333 thousand.

(E) Pros and Cons for Future Development

Pros

(a) Expanded product application spectrum

As digital information becomes increasingly popular, there has been a rapid growth in the demand for DRAM from non-computer applications. This is especially true for digital cameras and cell phones that integrate camera and multimedia functions which are beginning to apply Pseudo SDRAM and low-power SDRAM. In addition, a large number of applications designed for palm-top computers, PDAs, DVD players, games console, Set-Top Boxes, local network equipment and DSC have propelled market expansion towards telecommunication and consumption electronics.

(b) Diversified market demand and product segmentation

Recently, demands for DRAM specification have become highly diversified, mainly due to the converged applications being developed for computers, telecommunication and consumer electronics, and various handheld devices. Manufacturers design new products based on a range of requirements, including compactness, high performance, high bandwidth, low power, low cost, high reliability and high density, and then produce DRAM-embedded system chips using integration technology such as SiP (system in package) or MCM (multi-chip module). The trend of diversification will facilitate the segmentation of market, maintain product profits and reduce the impact of industry volatility.

(c) Leading manufacturing technology

ProMOS' technology advancement in 300mm fab mass production is the foundation for future competitiveness and cost advantage. ProMOS will continue its world-class manufacturing strength through production capacity expansion and proprietary technology development.

(d) Flexibility in advanced process technology choice

At present, ProMOS has a solid foundation in 0.14/0.11 μ m trench production technology for DRAM. Based on the technology roadmap announced by ITRS, process technologies for stack and trench DRAM below 0.09 μ m both have a number of distinctive technical bottlenecks that need to be overcome respectively. ProMOS' strategy is to keep itself more flexible in the selection of partnerships for the development of future advanced process technology of 0.09 μ m, 0.07 μ m generations and below.

Cons

The DRAM industry has intense periodical fluctuations that can easily affect operational stability. By adopting countermeasures such as low-cost competitive products and product diversification, ProMOS is able to reduce these risks. Meanwhile, ProMOS has introduced partners under various strategic alliances in order to carry out process R&D, new product development, new market exploration and other collaborative plans. The future product portfolio will cover commodity DRAM, specialty DRAM and SiP products, in an effort to master the fast changes in market demand and to reduce any impact caused by market fluctuations.

(2) Important Usages of Major Products and their Manufacturing Process

Products produced by ProMOS are high-performance, high-density memories. Commodity DRAM is mainly used for fast access memory. The most common application is to support computation in the microprocessor of the computer and is mainly used in PCs, laptops and servers, workstations and advanced computers. Specialty DRAM is mainly used in graphics to support static and dynamic 2D and 3D image mappings. Low-power memory products, such as Pseudo SRAM and low-power SDRAM, are mainly used in cell phones and portable electronic products to support fast access to memory and multimedia image and graphics. SiP and MCM are targeted to integrate logic components and memory in order to boost the performance of integrated components in speed, space and power consumption. Their application is subject to the logic component function in the integrated component.

(3) Major Raw Material Supply Status

Raw Material	Supplier	Origin (Manufacturing site)	Market Condition
Silicon wafers	*S.E.H. *Wacker *Sumco *MEMC, Taisil *KEM, FKS *LG	Japan/Taiwan Germany/Singapore Japan America/Taiwan Japan/Taiwan Korea	1. These six companies are the major 8" wafer suppliers, and the preceding three companies also supply ProMOS 12" wafers. The quality of their products has maintained a certain standard required by the industry. Their combined capacity and sales constitute to more than 80% of the world market. They are also the long-term suppliers of ProMOS. 2. These six companies are located in America, Asia, and Europe with manufacturing sites in different locations to meet market demand.
Production chemicals	*Merck Chemicals *T.Y.S *TOKUYAMA *M.G.C	Taiwan Taiwan Taiwan Japan	1. These five companies are a world-class famous manufacturers. 2. Merck & T.Y.S purchase major raw materials from everywhere (ex. Japan, Germany, and Taiwan etc.), then purified, mixed, filtered and packed in local manufacture site before supplying to the semiconductor in Taiwan and Mainland China. 3. Merck has its products packed in Taiwan to ensure stable supply, to shorten lead-time and to maintain quality. 4. Tokuyama uses stainless drum for its IPA since it can be re-used, making it environmental friendly .
Slurry	*CABOT *RODEL	USA USA	1. Cabot/Rodel are global-renowned slurry manufacturers. 2. To meet J.I.T. request, both Cabot/Rodel have products warehoused in Taiwan.
Photoresist	*Shibley *JSR *TOK *FujifilmArch *Asahi	USA Japan Japan Japan Japan	1. These five companies are well-known suppliers to the semiconductor industry . 2. JSR/Shibley have products warehoused in Taiwan to meet J.I.T. demand. 3. TOK & FujifilmArch are major ArF photoresist (For 193nm scanner use) suppliers. 4. Asahi cauthes more than 80% of the Polyimide market in Taiwan and is big capable of product allocation due to big customer base in Taiwan. .
Specialty gas	*Showa *Nippon Sanso *SanFu *Air Liquide *Matheson	Japan Japan USA/Japan Japan USA	1. These five companies mainly supply products to chip makers in Taiwan. 2. The specialty gases supplied by these five manufacturers are interchangeable and promoting inter company competition.
Critical consumable parts	*RODEL(CMP Pad) *HERAEUS/TOPCO (Quartz ware) *TOSOH (Quartz ware)	USA Germany/Taiwan USA/Taiwan	1. Rodel is the largest CMP pad supplier and also has the best technologies in it. Its market share is over 90% in semiconductor industry. 2. Heraeus(TOPCO) and Tosoh are makers/agents in Quartz ware and supply their products to customers of semiconductor in Taiwan. Most quartz wares are interchangeable and promoting inter company competition.

(4) List of Major Suppliers and Customers in the Last Two Years

Major Customers in the Last Two Years

Unit:Thousand NT\$

Year	2001		2002	
	Amount	% of annual net sales	Amount	% of annual net sales
Customers				
Mosel Vitelic Inc.	618,189	6%	675,277	3.69%
Infinion Technologies AG	9,192,868	94%	17,635,508	96.25%
Cypress Semiconductor	-	-	6,016	0.03%
NanoAmp Solution Inc.	-	-	4,932	0.03%

Major Suppliers in the Last Two Years

Unit:Thousand NT\$

Year	2001		2002	
	Amount	% of annual net sales	Amount	% of annual net sales
Suppliers				
SHIN-ETSU	454,549	11.49%	577,809	11.00%
Wacker	298,380	7.54%	383,093	7.29%
Taisel Electronics	290,257	7.34%	258,994	4.93%
Applied	279,993	7.08%	378,719	7.21%
SUMITOMO	255,722	6.47%	372,841	7.10%
WAH LEE Industrial	181,267	4.58%	227,315	4.33%
HER MES	146,944	3.71%	168,066	3.20%
SAN-FU	111,677	2.82%	179,631	3.42%

(5) Production Quantity / Value in the Last Two Years

Unit:Pieces / Thousand NT\$

Production Year	2001			2002		
	Capacity	Production	Product Value	Capacity	Production	Product Value
QTY and Amount						
Major Product						
DRAM	429,571	391,173	11,817,188	617,731	543,925	17,259,481
FOUNDRY	23,525	14,826	455,967	-	-	-
OTHER	-	-	-	800	135	14,063
Total	453,096	405,999	12,273,155	618,531	544,060	17,273,544

(6) Sales Quantity / Value in the Last Two Years

Unit: Pieces / Thousand
NT\$

Sales Year QTY and Amount Major Product	2001				2002			
	Local		Overseas		Local		Overseas	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
DARM	-	-	390,517	9,319,798	7,186	279,334	538,768	17,806,168
FOUNDRY	14,492	494,675	-	-	-	-	-	-
OTHER	-	-	-	-	18	91,418	117	144,812
Total	14,492	494,675	390,517	9,319,798	7,204	370,752	538,885	17,950,980

3. Employees

Year		2001	2002	04/30/2003
Number Of Employee	Managers and above	74	84	85
	Engineers	979	1,119	1,116
	Administrators	92	102	99
	Technicians	891	1,054	1,069
	Total	2,036	2,359	2,369
Average age		29	29	29
Average Years of Employment		2.55	2.71	2.83
Level Of Education (%)	Ph. D.	1.60%	1.48%	1.10%
	Master's Degree	21.20%	21.37%	20.81%
	Bachelor's and Associate Degree	50.60%	51.38%	52.76%
	Senior High School	26.20%	25.43%	24.99%
	Others	0.40%	0.34%	0.34%

4. Environmental Protection and Expenditures

ProMOS is not only striving to execute the ESH policy and make all activities fit in with the ESH regulations. We expand our concept to all the vendors to correspond to the global campaigns in green environmental protection. Under the efforts of ESH and all employees, all activities complied with the related regulations. So no loss or fines resulted from environmental pollution in 2002.

5. Labor Relations

Promo provides fringe benefits for employees which adhere to the Labor Laws, Labor Insurance Regulations, Employee Benefits Rules and related rules and regulations. In addition to the Labor Insurance and the National Health Insurance, there is a group insurance which includes accidental, life, medical and cancer insurances and covers employees, their spouses, children and parents.

In order to furnish the employees with both secured and growth environment, the company also provides an annual physical examination and various on-job training. Furthermore, ProMOS supports some employees with transportation and accommodation.

The company Welfare Committee subsidizes employee's weddings, funerals, funerals, illness and childbirth, as well as organizes company trips, both domestic and overseas, recreational, recreational contests, year-end banquets and club activities to support good physical and mental condition of our employees and to improve the relations among them.

Pursuant to the Appropriation Rules of Labor Pension Fund, Ministry of Interior Affairs, the Company set the Retirement Policy and formed the Employee Retirement Committee. Appropriating and depositing the pension fund into designated Central Trust of China, on behalf of the Committee, is followed regularly.

6. Important Contracts

Nature	Parties	Duration	Content	Restrictive Clauses
Lease Agreement	Mosel Vitelic Inc. ProMOS Technologies Inc.	Oct. 01, 1997 ~ Jan. 31, 2004 ProMOS has a right of first redusal to renew the agreement	Office Lease Agreement (ProMOS leases from Mosel Vitelic Inc.)	The lease cannot be transferred nor can the leased item be sold to or used by the third party
Lease Agreement	Chailease Finance Co. Ltd. ProMOS Technologies Inc.	Dec. 31, 2001 ~ Dec.31, 2004	NT\$1,000M Machinery and Equipment Sale-Leaseback	None
Intellectual Property License Agreement	Siemens AG ProMOS Technologies Inc.	Jan. 15, 1997	0.35um~0.20um Intellectual Property License Agreement	1. For a defined period certain percentage of the product must be sold to Siemens AG or other specified companies 2. The technology acquired may not be licensed to any third party
Syndicated Loan Agreement	Bank of America & other 21 banks ProMOS Technologies Inc.	May. 12, 1997 ~ May .12, 2004	Syndicated Loan for US\$320M	1. The imported machinery and equipment financed with the loan should be mortgaged to the banking syndicate 2. The company should comply with financial covenants and other articles which are required by loan agreement
Long-Term Loan Agreement	Bayerische Landesbank Standard Charter Bank ProMOS Technologies Inc.	Mar. 31, 1999 ~ May. 12, 2006	Long Term Loan for US\$103M	1. The imported machinery and equipment financed with the loan should be mortgaged to the bank 2. The company should comply with financial covenants and other articles which are required by BOA's loan agreement
Long-Term Loan Agreement	Bayerische Landesbank Standard Charter Bank ProMOS Technologies Inc.	Mar. 31, 1999 ~ May. 12, 2004	Long Term Loan for US\$95M	1. The imported machinery and equipment financed with the loan should be mortgaged to the bank 2. The company should comply with financial covenants and other articles which are required by BOA's loan agreement
Long-Term Loan Agreement	China Development Insustrial ProMOS Technologies Inc.	Nov. 30, 1999 ~ Nov. 30, 2004	Long Term Loan for NTD\$500M	1. The machinery and equipment financed with the loan should be mortgaged to the bank 2. The company should comply with articles which are required by loan agreement
Long-Term Loan Agreement	Ta Chong Bank Ltd. ProMOS Technologies Inc.	Jun. 30, 2000 ~ Jun. 28, 2002	Long Term Loan for NTD\$300M	The company should comply with articles which are required by loan agreement
Long -Term Loan Agreement	Taishin Internation Bank ProMOS Technologies Inc.	Jun.15, 2000 ~ Jun.15, 2003	Long Term Loan for NTD\$200M	The company should comply with articles which are required by loan agreement
Syndicated Loan Agreement	Bank of Taiwan & other 11 banks ProMOS Technologies Inc.	Mar. 26, 2002 ~ Mar. 26, 2007	Long Term Loan for NTD\$5,512M	1. The imported machinery and equipment financed with the loan should be mortgaged to the bank 2. The company should comply with financial covenants and other articles which are required by loan agreement
Syndicated Loan Agreement	Bank of Taiwan & other 5 banks ProMOS Technologies Inc.	Aug. 21, 2002 ~ Aug. 21, 2007	Long Term Loan for NTD\$5,000M	1. The imported machinery and equipment financed with the loan should be mortgaged to the bank 2. The company should comply with financial covenants and other articles which are required by loan agreement
Intellectual Property License Agreement	Mosel Vitelic Inc. Infineon Technologies AG ProMos Technologies Inc.	Mar. 15, 2000	License Agreement	ProMOS was licensed from Infineon the next generations technologies and the right to use for the new products
Sales Agreement	Mosel Vitelic Inc. Infineon Technologies AG ProMOS Technologies Inc.	Mar. 15, 2000 (This Agreement was terminated by Infineon.)	Product Purchase and Capacity Reservation Agreement	Excluding a certain percentage of capacity reserved and used for ProMOS' own development, the capacity will be reserved and sold to Infineon and MVI
Co-development and Manufacturing Agreement	Some Customers ProMOS Technologies Inc.	3-5 years duration since 2002	Jointly develop memory products and manufacture in ProMOS	None

7. Litigation Proceedings

(1) About Hsin Yu Energy Development Co.

Hsin Yu Energy Development Co. (“Hsin Yu”) filed an arbitration request with the ROC Arbitration Association in June 2000 over disputes arising from the Steam Supply Agreement and the Joint Installation Agreement with the Company, seeking \$1,200,000 thousand in damages from the Company. The Company filed a counterclaim and sought compensation from Hsin Yu for the loss on buying steam supply equipment, which became useless when ProMOS terminated the agreements because of some issues with Hsin Yu.

On August 30, 2002, Hsin Yu withdrew the arbitration request but requested the ROC Arbitration Association for another arbitration, claiming the first tribunal failed to render an award within nine months from the formation of the tribunal.– To avoid delay in settling this case, the Company filed an additional counterclaim in September 2002 that Hsin Yu is not entitled to claim \$1,200,000 thousand in damages from the Company. However, alleging that the 2000 arbitration tribunal failed to render an award within nine months from the formation of the tribunal, Hsin Yu brought a lawsuit to the Taipei District Court on November 28, 2002 for a declaratory judgment that Hsin Yu is entitled to claim \$1,200,000 thousand in damages from the Company. (The 2000 arbitration tribunal was originally scheduled to render an award on December 5, 2002; however, it decided on December 2, 2002 to suspend the arbitration proceedings, claiming that the arbitration period had not expired.) The Company filed a motion with the tribunal for resumption of the arbitration proceedings. If the tribunal agrees to resume the arbitration proceedings, its award will be available shortly and will be binding on the 2002 arbitration.

The first and second hearings of the 2002 arbitration took place on February 18 and March 5, 2003, respectively. As of April 15, 2003, the 2002 arbitration tribunal had not rendered an award. Based on the opinion of the Company's legal counsel, management believes that the outcome of the case will not materially affect the Company's financial position and its operations. No provision on Hsin Yu's claims has been recorded in the accompanying financial statements.

(2) About Credit Suisse First Boston Limited

The Company and the investment banks, Credit Suisse First Boston and Credit Suisse First Boston International, filed civil actions with the British Court with respect to the Company's forward exchange contracts. In December 2002, the parties have come to a resolution, in which the Company should pay a certain amount of indemnification.

(3) About Infineon Technology AG

Infineon Technology AG (“Infineon”) alleges that the resolution to “remove director Michael Buckermann and supervisor Angela Shih”, which was adopted at the special shareholders’ meeting held on 10 January 2003 by ProMOS Technologies Inc.(“ProMOS”), is illegal, and on 24 January 2003, initiated litigation proceedings at Hsinchu District Court (92 Su-Tzi No.96) to revoke such shareholder’s meeting resolution. As Infineon is a foreign legal person yet to be recognized by the Ministry of Economic Affairs (“MOEA”) in Taiwan, ProMOS has applied for the court to order a bond for litigation costs from Infineon, however, due to the lack of decision by the court so far, as of 30 April 2003, the review of the case in substance is still pending.

According to ProMOS legal counsel’s opinion: as Infineon’s voting rights were excluded in the 10 January 2003 shareholder’s resolution to remove director Michael Buckermann and supervisor Angela Shih, because of a conflict of interests, although the support of an authority on company law may be provided as evidence in court, the final decision lies with the judiciary authorities. However, even if the outcome of the litigation proceedings are unfavorable to ProMOS, as ProMOS already has equipped 9 directors and 2 supervisors, the addition or deduction of 1 director and 1 supervisor will not cause direct financial losses to ProMOS.

Furthermore, Infineon alleges that the resolution to “authorize the general manager to evaluate potential technology sources, negotiate and enter into license agreements with technology providers”, which was adopted at the board of director’s meeting held on 20 November 2002 and at the special shareholders’ meeting held on 10 January 2003, is illegal. Therefore, on 27 January 2003, Infineon initiated litigation proceedings at Hsinchu District Court (92 Su-Tzi No.97) to invalidate the resolutions of the board of directors’ meeting as well as the shareholders’ meeting, and revoke the resolution of the shareholders’ meeting. As Infineon is a foreign legal person yet to be recognized by the MOEA, ProMOS has applied for the court to order a bond for litigation costs from Infineon, however, due to the lack of decision by the court so far, as of 30 April 2003, the review of the case in substance is still pending.

According to ProMOS legal counsel’s opinion: whether Infineon may raise such requests and claims in the litigation proceedings shall be subject to the final decision of the judiciary authorities. However, even if the outcome of the litigation proceedings are unfavorable to ProMOS, ProMOS will merely be required to adopt another resolution or reconfirm authorization for the general manager’s actions, and no direct financial losses will be sustained by ProMOS as a result of such court judgment.

Infineon further alleges that the resolution to “reelect all of ProMOS’s directors and supervisors for the third term” , which was adopted at the special shareholders’ meeting held on 10 January 2003 is illegal, and on 6 February 2003, initiated litigation proceedings at Hsinchu District Court (92 Su-Tzi No. 113) to invalidate and revoke the resolution to “elect Hung-Chiu Hu, M.L. Chen, Hsing Tuan, and representatives Len Mei, Rebecca Tang, Y.C. Lin of Bou Da Investment Ltd. as directors, and Thomas Chang as supervisor”. ProMOS has already received a copy of the pleadings, however, the court has yet to notify a hearing date, therefore, as of 30 April 2003, the review of the case in substance is still pending.

According to ProMOS legal counsel's opinion: whether Infineon may raise such requests in the litigation proceedings, and whether such claims have reasonable grounds, shall be subject to the final decision of the judiciary authorities. However, even if the outcome of the litigation proceedings are unfavorable to ProMOS, considering the complexity of the case, an estimated 2 to 3 years will elapse before a final decision may be rendered by the Supreme Court, at which time the term of the directors and supervisors for the third term will have already expired (expiration date 9 January 2006), thus no direct financial losses will be sustained by ProMOS as a result of the outcome of this case.

In addition, ProMOS has filed criminal charges against the former directors designated by Infineon and its staff, Ulrich Schumacher, Harald Eggers, Johann Harter, Michael Majerus, Thomas Schwarcz, Michael Erler, Mans Meyer, and Andreas Von Zitzewitz, for breach of trust, defamation, damage to commercial reputation, and violation of the Securities Exchange Law. As the above criminal charges are related to the criminal liabilities of the above-mentioned suspects, no direct financial losses will be sustained by ProMOS therefrom.

There is a S17 to S12 License Agreement entered into between ProMOS and Infineon on 15 March 2000. As the two parties have encountered substantial dispute over which party has the right to terminate the Agreement, whether termination has already effectuated, and whether ProMOS may continue to legally use the licensed patents and know-how after the termination, according to Section 10 of the above Agreement, any dispute between the two parties shall be resolved by arbitration in accordance with the laws of Switzerland. The seat of arbitration shall be (i) Munich, Germany, if ProMOS is the applicant for the arbitration; and (ii) Taipei, Taiwan, if Infineon is the applicant for the arbitration. ProMOS has already appointed legal counsel to submit the Request for Arbitration to ICC International Court of Arbitration, however, ProMOS has yet to receive any application for arbitration by Infineon in Taipei.

8. Acquisition or Disposal of Property, Plant and Equipment

Acquisition of Property, Plant and Equipment

Kind of Capital	Acquisition Date	Total Price (Thousand NT\$)	Vender	Relationship with the Company	Purpose
Equipment	2002.09.10	643,750	KLA-TENCOR	None	-
Equipment	2002.11.22	324,903	TOKYO ELECTRON	None	-
Equipment	2002.12.05	449,023	APPLIED MATERIALS	None	-

Financing Plans and Implementation

1. Financing Plans and Financing Implementation

(1) Usage: NT\$41,249 million.

(2) Proceeds:

(a) ECB (2001): US\$180 million, equivalent to NT\$5,760 million

(b) GDR: US\$146 million, equivalent to NT\$5.04 billion, issuing 300,000,000 units of common shares.

(c) Secured Bonds: NT\$2,700,000 thousand

(d) Call loan for NT\$7,650 million

(e) ECB (2003): US\$100 million, equivalent to NT\$3,475 million

(f) Issuing GDR at NT\$15 per share, no more than 450 million common shares.

(g) Rest: raised by one's own fund, bank borrowing and others

(3) Place for equipment acquisition: Phase II clean room of No. 19 Li Hsin Rd., Science-Based Industrial Park, Hsinchu, Taiwan, R.O.C.

(4) The plan to purchase Equipment of 12-inch wafer fab :

In : Thousand NT\$

Plan	Scheduled Completion	Fund Needed	Schedule of Fund Usage									
			2001	2002	2003				2004			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Equipment Acquisition	2004.11.30	41,249,240	16,763,532	8,192,744	1,605,520	1,698,420	3,395,677	1,780,487	2,118,890	3,330,000	1,749,970	614,000

Note: The proceeds of issuing straight bond will repay the bank borrowing which financed our 12-inch equipment acquisition previously.

(5) Projected Potential Benefit :

(a) Projected table

Unit : Pieces/Thousand NT\$

Yearly	Item	Product	Sales Volume	Sales Revenue	Gross Profit	Operating Income
2003	DRAM	73,895	73,895	8,255,139	754,449	(316,983)
2004	DRAM	167,668	167,668	14,419,643	4,019,703	2,901,131
2005	DRAM	198,113	198,113	21,613,007	9,310,768	8,134,940
2006	DRAM	204,895	204,895	18,355,447	5,690,337	4,507,407

(b) The Funding purpose is to invest facilities and equipment of Phase II clean room, potential benefit after the project finish will product 18,000 PCs 12-inch wafer / per month , and the revenue will increase NT\$7.5 billions after completion.

Financial Information

1. Condensed Balance Sheet and Income Statement

Condensed Balance Sheet

Unit: Thousand

Item		Financial Data from 1998 to 2003 Mar. 31					
		1998	1999	2000	2001	2002	2003 Mar. 31
Current Assets		4,488,415	13,097,698	18,556,397	16,698,292	15,779,602	17,211,302
Fund and Long-term Investment		800	-	-	200,000	200,000	269,500
Fixed Assets		32,396,457	30,912,012	31,256,057	43,336,979	40,779,907	39,027,864
Intangible Assets		7,813,755	7,017,845	6,475,467	5,721,220	5,343,874	4,450,908
Other Assets		3,432,289	2,802,411	629,081	1,712,096	4,199,850	1,699,081
Total Assets		48,131,716	53,829,966	56,917,002	67,668,587	66,303,233	62,658,655
Current Liabilities	Before Distribution	12,212,553	4,644,265	7,694,026	16,680,113	14,854,271	11,604,749
	After Distribution	12,212,553	4,897,684	7,930,524	16,680,113	14,854,271	11,604,749
Long-term Liabilities		14,821,813	15,056,286	8,734,292	16,973,926	15,747,551	16,323,818
Other Liabilities		-	-	43,308	69,037	93,416	99,635
Total Liabilities	Before Distribution	27,034,366	19,700,551	16,471,626	33,723,076	30,695,238	28,028,202
	After Distribution	27,034,366	19,953,970	16,708,124	33,723,076	30,695,238	28,028,202
Capital Stock		19,500,000	21,000,000	27,080,238	32,698,479	35,698,479	35,698,478
Additional Paid-in Capital		600,000	6,090,000	6,090,000	6,090,000	3,350,050	3,350,051
Retained Earnings	Before Distribution	997,350	7,039,415	7,275,138	(4,649,553)	(2,047,720)	(3,025,262)
	After Distribution	997,350	705,758	1,420,399	(4,649,553)	(2,047,720)	(3,025,262)
Total Shareholders' Equity	Before Distribution	21,097,350	34,129,415	40,445,376	33,945,511	35,607,995	34,630,453
	After Distribution	21,097,350	33,875,996	40,208,878	33,945,511	35,607,995	34,630,453

Condensed Income Statement

Unit: Thousand

NTD

Item	Financial Data from 1998 to 2003 Mar. 31					
	1998	1999	2000	2001	2002	2003 Mar. 31
Net Sales	8,502,184	18,248,327	20,703,075	9,814,473	18,321,732	4,996,625
Gross Profit (Deficit)	1,705,826	8,738,133	9,741,863	(2,396,212)	956,497	115,745
Operating Income (Loss)	758,862	7,671,375	8,539,804	(4,404,266)	(1,558,261)	(464,196)
Non-operating Income	502,438	188,938	1,278,679	555,249	953,635	61,899
Non-operating Expense	1,514,588	1,495,861	1,818,170	2,129,285	1,750,237	575,245
Income (Loss) before Income Tax	(253,288)	6,364,452	8,000,313	(5,978,302)	(2,354,863)	(977,542)
Net Income	471,600	6,042,065	6,569,380	(6,069,952)	(2,047,720)	(977,542)
Earnings Per Share	0.26	3.05	2.43	(1.86)	(0.60)	(0.28)

Auditors' Name and Opinion

Year	Name of CPA Firm	Name of CPA	Auditors' Opinion
1998	T N Soong & Co	S.C. Huang & Edward Way	Qualified Without Reservation
1999	T N Soong & Co	Jackson Huang & Victor Wang	Qualified Without Reservation
2000	T N Soong & Co	Jackson Huang & Victor Wang	Qualified Without Reservation
2001	T N Soong & Co	Jackson Huang & Victor Wang	Qualified Without Reservation
2002	T N Soong & Co	Jackson Huang & Victor Wang	Qualified Without Reservation

2. Financial Analysis

Financial Analysis

Item		Years		Financial Analysis from 1998 to 2003 Mar. 31				
		1998	1999	2000	2001	2002	2003 Mar. 31	
Capital Structure Analysis (%)	Debts Ratio	56.17	36.60	28.94	49.84	46.30	44.73	
	Long-term Funds to Fixed Assets	110.87	159.04	157.34	117.66	126.16	130.56	
Liquidity Analysis (%)	Current Ratio	36.75	282.02	241.18	100.11	106.23	148.31	
	Quick Ratio	19.80	230.30	201.57	89.84	83.46	121.20	
	Interest Guarantee(Times)	0.73	5.77	10.39	(4.77)	(1.10)	(2.58)	
Operating Performance Analysis	Average Collection Turnover (Times)	7.33	4.78	5.14	4.00	3.66	2.58	
	Average Collection Days	49	76	70	91	100	141	
	Average Inventory Turnover (Times)	6.47	8.15	7.86	8.53	9.02	8.69	
	Average Payment Turnover (Times)	11.56	12.00	12.14	12.98	15.30	13.79	
	Average Sales Days	56	45	46	43	40	42	
	Fixed Assets Turnover (Times)	0.26	0.59	0.66	0.23	0.45	0.52	
	Total Assets Turnover (Times)	0.18	0.34	0.36	0.15	0.28	0.32	
Return on Investment Analysis (%)	Return on Total Assets(%)	3.42	13.92	13.09	(8.50)	(1.80)	(1.20)	
	Return on Equity(%)	2.47	21.88	17.62	(16.32)	(5.89)	(2.78)	
	Ratio to Capital Stock (%)	Operating Income (Loss)	3.89	36.53	31.54	(13.47)	(4.37)	(1.30)
		Income (Loss) before Income Tax	(1.30)	30.31	29.54	(18.28)	(6.60)	(2.74)
	Net Income (Loss) to Sales(%)	5.55	33.11	31.73	(61.85)	(11.18)	(19.56)	
	Earnings Per Share(NTD)	0.17	1.95	2.01	(1.86)	(0.60)	(0.28)	
Cash Flow (%)	Cash Flow Ratio	13.37	183.91	236.54	12.78	22.72	12.42	
	Cash Flow Adequacy Ratio	0.99	22.55	60.78	53.42	75.66	94.43	
	Cash Flow Reinvestment Ratio	5.24	17.10	32.49	3.01	4.21	1.90	
Degree	Degree of Operating Leverage	6.81	1.87	1.90	-	-	-	
	Degree of Financial Leverage	-	1.21	1.11	0.81	0.58	0.78	

3. Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2002 Balance Sheets, Statements of Income, Changes in Shareholders' Equity and Cash Flow . These statements have been audited by T N Soong & Co. The financial statements present fairly the financial position of the Company and the results of its operations and the cash flows. We as the Supervisors of the Company have reviewed these statements, report of operations and the proposals relating to distribution of net profit. According to the Article 219 of Company Law, we hereby submit this report.

ProMOS Technologies Inc.

Supervisors: Thomas Chang

Angela Shih

April 18, 2003

4. 2002 Financial Statements and Independent Auditors' Report

Independent Auditors' Report

The Board of Directors and the Shareholders
ProMOS Technologies Inc.

We have audited the accompanying balance sheets of ProMOS Technologies Inc. as of December 31, 2002 and 2001, and the related statements of income, changes in shareholders' equity and cash flows for the years 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 conducted our audits in accordance with the Regulations for Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProMOS Technologies Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China.

T N Soong & Co
An Associate Member Firm of Deloitte Touche Tohmatsu
Taipei, Taiwan
The Republic of China

April 15, 2003

Notice to Readers

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

PROMOS TECHNOLOGIES INC.

BALANCE SHEETS
December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2002		2001		LIABILITIES AND SHAREHOLDERS' EQUITY	2002		2001	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 4,840,136	7	\$ 5,398,866	8	Short-term bank loans (Note 8)	\$ 4,505,550	7	\$ 4,408,673	7
Bank deposits for bridge loans (Notes 3 and 19)	-	-	6,170,000	9	Commercial paper issued (Note 9)	-	-	1,690,000	2
Pledged time deposits (Note 3 and 19)	2,000	-	1,500	-	Notes payable and accounts payable (Notes 18)	1,338,801	2	931,019	1
Investments in mutual funds (Notes 2 and 4)	3,000	-	957,548	1	Payable to contractors and equipment suppliers	2,058,096	3	3,759,118	6
Trade accounts receivable:					Current portion of long-term loans (Notes 2, 6, 11, 12 and 19)	6,190,113	9	5,184,950	8
Related parties (Note 18)	7,550,364	12	2,457,341	4	Accrued expenses and other current liabilities (Note 18)	761,711	1	706,353	1
Third party customers	2,429	-	-	-	Total Current Liabilities	14,854,271	22	16,680,113	25
Inventories – net (Notes 2 and 5)	2,556,106	4	1,292,301	2	LONG-TERM LIABILITIES				
Deferred income taxes (Notes 2 and 16)	638,127	1	234,741	1	Bonds issued (Notes 10)	2,700,000	4	-	-
Prepaid expenses and other current assets (Note 18)	187,440	-	185,995	-	Convertible bonds issued (Notes 2, 11 and 19)	3,000,000	5	6,597,028	10
Total Current Assets	15,779,602	24	16,698,292	25	Long-term loans – net of current portion (Notes 12 and 19)	9,847,551	15	9,796,898	14
LONG-TERM INVESTMENT IN DEBT SECURITIES	200,000	-	200,000	-	Capital lease obligation – net of current portion (Notes 2 and 6)	200,000	-	580,000	1
(Note 2)					Total Long-term Liabilities	15,747,551	24	16,973,926	25
PROPERTIES (Notes 2, 6, 18 and 19)					OTHER LIABILITIES				
Cost					Accrued pension cost (Notes 2 and 13)	92,576	-	68,197	-
Buildings and auxiliary equipment	4,019,271	6	4,017,216	6	Guarantee deposits (Note 18)	840	-	840	-
Facilities	13,002,888	20	12,459,845	18	Total Other Liabilities	93,416	-	69,037	-
Machinery and equipment	48,106,706	72	33,594,515	50	Total Liabilities	30,695,238	46	33,723,076	50
Computers	680,678	1	608,429	1	SHAREHOLDERS' EQUITY (Note 2, 14 and 15)				
Transportation equipment	3,602	-	3,602	-	Capital stock – \$10 par value				
Furniture and fixtures	3,574	-	3,574	-	Authorized – 4,000,000 thousand shares				
Equipment under capital lease	1,235,714	2	1,275,028	2	Issued – 3,569,848 thousand shares in 2002 and 3,269,848 thousand shares in 2001	35,698,479	54	32,698,479	48
Leasehold improvements	2,285	-	2,285	-	Capital surplus	3,350,050	5	6,090,000	9
Total cost	67,054,718	101	51,964,494	77	Retained earnings:				
Accumulated depreciation	(28,686,481)	(43)	(19,805,598)	(29)	Legal reserve	-	-	1,360,879	2
Construction in progress and advances related to property acquisitions	2,411,670	4	11,178,083	16	Accumulated losses	(2,047,720)	(3)	(6,010,432)	(9)
Net Properties	40,779,907	62	43,336,979	64	Treasury stock – 110,281 thousand shares in 2002 and 15,396 thousand shares in 2001	(1,392,814)	(2)	(193,415)	-
INTANGIBLE ASSETS – NET (Notes 2, 7 and 18)	5,343,874	8	5,721,220	8	Total Shareholders' Equity	35,607,995	54	33,945,511	50
OTHER ASSETS					TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 66,303,233	100	\$ 67,668,587	100
Restricted assets (Notes 3, 11 and 19)	3,000,000	4	-	-					
Deferred income taxes (Notes 2 and 16)	1,167,232	2	1,263,475	2					
Pledged time deposits (Notes 3 and 19)	-	-	349,500	1					
Deferred charges – net (Note 2)	17,601	-	84,101	-					
Refundable deposits (Note 18)	15,017	-	15,020	-					
Total Other Assets	4,199,850	6	1,712,096	3					
TOTAL ASSETS	\$ 66,303,233	100	\$ 67,668,587	100					

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

PROMOS TECHNOLOGIES INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2002		2001	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	\$			
REVENUE	18,337,564		\$9,921,399	
SALES RETURNS AND ALLOWANCES	(<u>15,832</u>)		<u>106,926</u>	
NET REVENUE (Notes 2 and 18)	18,321,732	100	9,814,473	100
COST OF REVENUE (Note 18)	<u>17,365,235</u>	<u>95</u>	<u>12,210,685</u>	<u>124</u>
GROSS PROFIT (LOSS)	<u>956,497</u>	<u>5</u>	(<u>2,396,212</u>)	(<u>24</u>)
OPERATING EXPENSES (Note 18)				
Research and development	1,554,999	8	1,190,330	12
General and administrative	948,647	5	809,106	9
Marketing	<u>11,112</u>	<u>-</u>	<u>8,618</u>	<u>-</u>
Total Operating Expenses	<u>2,514,758</u>	<u>13</u>	<u>2,008,054</u>	<u>21</u>
OPERATING LOSS	(<u>1,558,261</u>)	(<u>8</u>)	(<u>4,404,266</u>)	(<u>45</u>)
NON-OPERATING INCOME				
Reversal of provision for loss on inventories (Note 2)	711,539	4	-	-
Interest	142,531	1	471,598	5
Gain on disposal of investments in mutual funds (Note 2)	60,388	-	41,385	1
Rent (Note 18)	3,860	-	5,071	-
Gain on disposal of properties (Note 2)	533	-	46	-
Other (Note 18)	<u>34,784</u>	<u>-</u>	<u>37,149</u>	<u>-</u>
Total Non-Operating Income	<u>953,635</u>	<u>5</u>	<u>555,249</u>	<u>6</u>
NON-OPERATING EXPENSES				
Interest	1,123,819	6	1,036,422	11
Loss on litigation (Note 21)	521,230	3	-	-
Foreign exchange loss – net (Note 2)	83,638	1	266,534	3
Loss on disposal of properties (Note 2)	20,867	-	41,641	-
Provision for loss on inventories (Note 2)	-	-	782,999	8
Other	<u>683</u>	<u>-</u>	<u>1,689</u>	<u>-</u>
Total Non-Operating Expenses	<u>1,750,237</u>	<u>10</u>	<u>2,129,285</u>	<u>22</u>

(Forward)

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
LOSS BEFORE INCOME TAX	(\$2,354,863)	(13)	(\$5,978,302)	(61)
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 16)	<u>307,143</u>	<u>2</u>	(<u>91,650</u>)	(<u>1</u>)
NET LOSS	<u>(\$2,047,720)</u>	(<u>11</u>)	<u>(\$6,069,952)</u>	(<u>62</u>)
	<u>Before</u> <u>Income</u> <u>Tax</u>	<u>After</u> <u>Income</u> <u>Tax</u>	<u>Before</u> <u>Income</u> <u>Tax</u>	<u>After</u> <u>Income</u> <u>Tax</u>
LOSS PER SHARE (Note 17) Basic and diluted loss per share	<u>(\$ 0.69)</u>	<u>(\$ 0.60)</u>	<u>(\$ 1.83)</u>	<u>(\$ 1.86)</u>

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

PROMOS TECHNOLOGIES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars)

	<u>CAPITAL STOCK ISSUED</u>		<u>CAPITAL SURPLUS</u>	<u>Legal Reserve</u>	<u>RETAINED EARNINGS (Note 2 and 14)</u>		<u>TREASURY STOCK (Note 15)</u>	<u>TOTAL SHAREHOLDERS' EQUITY</u>
	<u>Shares (Thousands)</u>	<u>Amount</u>			<u>Unappropriated Earnings (Deficits)</u>	<u>Total</u>		
BALANCE, JANUARY 1, 2001	2,708,024	\$ 27,080,238	\$ 6,090,000	\$ 703,941	\$ 6,571,197	\$ 7,275,138	\$ -	\$ 40,445,376
Appropriation from prior year's earnings:								
Legal reserve	-	-	-	656,938	(656,938)	-	-	-
Bonus to employees:								
Stock	47,300	472,996	-	-	(472,996)	(472,996)	-	-
Cash	-	-	-	-	(118,249)	(118,249)	-	(118,249)
Remuneration to directors and supervisors	-	-	-	-	(118,249)	(118,249)	-	(118,249)
Stock dividends – 19%	514,524	5,145,245	-	-	(5,145,245)	(5,145,245)	-	-
Creation of treasury stock – 15,396 thousand shares	-	-	-	-	-	-	(193,415)	(193,415)
Net loss in 2001	-	-	-	-	(6,069,952)	(6,069,952)	-	(6,069,952)
BALANCE, DECEMBER 31, 2001	3,269,848	32,698,479	6,090,000	1,360,879	(6,010,432)	(4,649,553)	(193,415)	33,945,511
Issuance of capital stock – May 23, 2002	300,000	3,000,000	1,909,603	-	-	-	-	4,909,603
Offset deficits	-	-	(4,649,553)	(1,360,879)	6,010,432	4,649,553	-	-
Creation of treasury stock – 94,885 thousand shares	-	-	-	-	-	-	(1,199,399)	(1,199,399)
Net loss in 2002	-	-	-	-	(2,047,720)	(2,047,720)	-	(2,047,720)
BALANCE, DECEMBER 31, 2002	<u>3,569,848</u>	<u>\$ 35,698,479</u>	<u>\$ 3,350,050</u>	<u>\$ -</u>	<u>(\$ 2,047,720)</u>	<u>(\$ 2,047,720)</u>	<u>(\$ 1,392,814)</u>	<u>\$ 35,607,995</u>

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

PROMOS TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001
(In Thousands of New Taiwan Dollars)

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(\$2,047,720)	(\$6,069,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	9,013,774	6,659,388
Amortization	1,791,107	1,361,097
Net loss on disposal of properties	20,334	41,595
Write-off of pledged time deposits	349,500	-
Deferred income taxes	(307,143)	91,054
Accrued pension cost	24,379	25,729
Accrued redemption premium	427,963	306,028
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade accounts receivables	(5,095,452)	(8,919)
Inventories	(1,263,805)	279,805
Prepaid expenses and other current assets	(1,445)	(13,225)
Increase (decrease) in:		
Notes and accounts payable	407,782	(19,806)
Income tax payable	-	(566,846)
Accrued expenses and other current liabilities	55,358	46,335
Net Cash Provided by Operating Activities	<u>3,374,632</u>	<u>2,132,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Pledged time deposits	(500)	-
Long-term investments in debt securities	-	(200,000)
Properties	(8,192,744)	(16,763,532)
Intangible assets	(1,347,261)	(550,147)
Restricted assets	(3,000,000)	-
Proceeds from disposal of:		
Investments in mutual funds	954,548	157,803
Properties	14,686	19,446
Decrease (increase) in bank deposits for bridge loans	6,170,000	(6,170,000)
Decrease (increase) in refundable deposits	3	(4,975)
Increase in deferred charges	-	(140,804)
Net Cash Used in Investing Activities	<u>(5,401,268)</u>	<u>(23,652,209)</u>

(Forward)

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Short-term bank loans	\$ 96,877	\$4,385,673
Commercial paper issued	(1,690,000)	1,585,000
Bonds issued	2,700,000	-
Convertible bonds issued	-	6,291,000
Long-term loans	(2,893,175)	2,160,518
Capital lease obligations	(420,000)	1,000,000
Issuance of capital stock	4,909,603	-
Creation of treasury stock	(1,199,399)	(193,415)
Remuneration of directors and supervisors	-	(118,249)
Bonus paid to employees	-	(118,249)
Net Cash Provided by Financing Activities	<u>1,503,906</u>	<u>14,992,278</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(522,730)	(6,527,648)
EFFECT OF EXCHANGE RATE CHANGES	(36,000)	(18,700)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,398,866</u>	<u>11,945,214</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$4,840,136</u>	<u>\$5,398,866</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 650,816</u>	<u>\$1,122,888</u>
Income tax paid	<u>\$ 11,775</u>	<u>\$ 620,540</u>
Cash paid for acquisition of properties:		
Total acquisitions	\$6,491,722	\$20,120,535
Properties sold and leaseback	-	(1,275,028)
Properties acquired by exchange	-	(44,156)
Payable to contractors and equipment suppliers	<u>1,701,022</u>	<u>(2,037,819)</u>
	<u>\$8,192,744</u>	<u>\$16,763,532</u>
Noncash financing activities:		
Current portion of long-term liabilities	<u>\$6,190,113</u>	<u>\$5,184,950</u>

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

PROMOS TECHNOLOGIES INC.

NOTES TO FINANCIAL STATEMENTS
(Amounts in Thousands of New Taiwan Dollars,
Unless Specified Otherwise)

1. GENERAL

ProMOS Technologies Inc. ("the Company") was incorporated by Mosel Vitelic Inc. (MVI) and Siemens Aktiengesellschaft (SAG) on December 12, 1996. Its operations are currently based at the Hsinchu Science-Based Industrial Park. SAG transferred a portion of its shareholding in the Company to Infineon Technologies A. G. (Infineon) in March 2002. The Company designs, researches, develops, manufactures and sells semiconductor products such as DRAM chips.

The Company's shares have been traded on the Over-the-Counter Securities Exchange (OTCE) in the Republic of China (ROC) since May 13, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are presented in conformity with the Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China. Significant accounting policies are summarized as follows:

Cash equivalents

Commercial paper acquired under agreements to resell them within three months from the date of purchase are classified as cash equivalents.

Investments in mutual funds

These are open-end funds stated at the lower of aggregate cost or market value. Market value refers to the net asset value of the funds. An allowance for loss is recognized when the aggregate carrying value of the investments exceeds the total market value, with the related provision for loss charged to current income. Any recovery of the aggregate market value to the extent of the original carrying value is recognized as income.

Costs of investments sold are determined using the first-in, first-out method.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted-average cost) or market value. Market value refers to net realizable value for finished goods and work in process, and replacement cost for raw materials and supplies.

Long-term investments in debt securities

These investments in debt securities are stated at cost.

Properties

Properties are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred. Upon sale or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings and auxiliary equipment, 20 years; facilities, 10 years; machinery and equipment, 5 years; computers, 3 years; transportation equipment, 3 to 5 years; furniture and fixtures, 3 years; leasehold improvements, 3 years; and equipment under capital lease, 5 years. Properties still used in operations beyond their original estimated service lives are further depreciated over their newly estimated service lives.

Properties covered by agreements qualifying as capital leases are carried at the lower of the market value of the leased equipment or the present value of the minimum lease payments on the starting date of the lease and are depreciated over the useful lives of the leased equipment. The effective interest method is used to allocate each lease payment between principal and interest expense. The difference between the proceeds and the book value of the leaseback assets is recorded as an unrealized loss on sale-leaseback and is amortized over five years as depreciation expense.

Intangible assets

Intangible assets are amortized using the straight-line method over the following years: technology transfer fees, 1 to 2 years or the contract periods; software costs and other deferred charges, 3 to 7 years.

Deferred charges

These are the issuance cost of convertible bonds and are amortized using the straight-line method over the period from the date of issuance to the expiration date of the redemption.

Convertible bonds

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

Capital stock account is credited for the face value of the bond that is converted into the Company's stock. The carrying value of the bond the date of its conversion in excess of its face value is then credited to the capital surplus account.

Pension costs

Net periodic pension costs are recorded on the basis of actuarial calculations, and unrecognized net transition obligation is amortized over 28 years.

Income tax

The Company uses the inter-period tax allocation method for income tax. Deferred income taxes assets and liabilities are recognized for the tax effects of deductible temporary differences, unused tax credits, and operating loss carryforwards. A valuation allowance is recognized if evidence shows it is more likely than not that a part or all of the deferred tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability for financial reporting. But if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it will be classified as current or noncurrent on the basis of the expected reversal date of the temporary differences.

Any tax credit for certain investments in machinery, equipment and technology, and research and development expenditures are recognized in current income.

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

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the shareholders resolve to retain the earnings.

Treasury stock

The reacquisition of issued stock is accounted for by the cost method. The treasury stock account is debited for the reacquisition cost and this account is stated as a deduction to arrive at shareholders' equity. If the treasury shares are reissued at a price in excess of the acquisition cost, the excess is credited to paid-in capital from treasury stock. If the treasury shares are reissued at less than acquisition cost, the deficiency is treated as a reduction of any paid-in capital related to previous issuances. If the balance in paid-in capital from treasury stock is insufficient to absorb the deficiency, the remainder is recorded as reduction of retained earnings.

Revenue recognition

Revenue is mainly from product sales to customers and is recognized at the time of shipment, indicating that revenue has been realized and earned. The four criteria for revenue being realized and earned are the existence of evidence of sale, actual shipment, fixed or determinable selling price, and reasonable assurance of collectibility.

Derivative financial instruments

The Company uses forward exchange contracts to manage currency exposures in foreign currency-denominated assets and liabilities. The premium or discount on the forward contracts, recorded in New Taiwan dollars as assets and/or liabilities, is computed using the foreign-currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rates on the starting dates of the contract. The premium or discount is amortized using the straight-line method over the term of the forward contracts, with the amortization charged to income.

On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the foreign-currency amount of the contracts by the difference between the spot rates on the contract starting dates and the spot rates on the balance sheet dates (or the spot rates last used to measure a gain or loss on that contract for an earlier period), are charged to income. Also, the receivables and payables related to the forward contracts are netted out, and the net amount is presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

The Company also uses foreign-currency option contracts for hedging purposes. The notional amounts of these contracts are not recognized as either assets or liabilities on the contract dates. However, the amounts received on call options written and the amounts paid on put options bought are carried at cost as either assets or liabilities and are amortized using the straight-line method over the terms of the contracts, and are charged to current income. Any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

Foreign-currency transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction dates. Gains or losses (measured from transaction date or the most recent intervening balance sheet date, whichever is later) realized upon the settlement of a foreign currency transaction is included in the period in which the transaction is settled. On balance sheet dates, the balances of the foreign currency-denominated assets and liabilities (other than those arising from forward contracts) are adjusted at the prevailing exchange rates, with the related gains and losses reflected in income.

Reclassifications

Certain 2001 accounts have been reclassified to conform to the 2002 financial statement presentation.

3. CASH AND CASH EQUIVALENTS	<u>2002</u>	<u>2001</u>
Cash and bank deposits	\$6,752,045	\$11,919,866
Commercial paper acquired under repurchase agreements	<u>1,090,091</u>	<u>-</u>
	7,842,136	11,919,866
Less: Restricted assets	(3,000,000)	-
Pledged time deposits (including noncurrent portion)	(2,000)	(351,000)
Bank deposits for bridge loans	<u>-</u>	<u>(6,170,000)</u>
	<u>\$4,840,136</u>	<u>\$5,398,866</u>
4. INVESTMENTS IN MUTUAL FUNDS	<u>2002</u>	<u>2001</u>
Acquisition costs	<u>\$ 3,000</u>	<u>\$ 957,548</u>
Market value	<u>\$ 3,018</u>	<u>\$ 957,679</u>
The market value was based on the net asset value of the funds as of December 31.		
5. INVENTORIES – NET	<u>2002</u>	<u>2001</u>
Finished goods	\$ 5,599	\$ 48,909
Work in process	1,894,132	1,397,659
Materials and supplies	<u>790,031</u>	<u>690,928</u>
	2,689,762	2,137,496
Less: Allowance for losses	<u>(133,656)</u>	<u>(845,195)</u>
	<u>\$2,556,106</u>	<u>\$1,292,301</u>

6. PROPERTIES

Accumulated depreciation consisted of:

	<u>2002</u>	<u>2001</u>
Buildings and auxiliary equipment	\$ 572,934	\$ 379,762
Facilities	4,600,742	3,313,142
Machinery and equipment	22,945,904	15,752,500
Computers	415,606	353,427
Transportation equipment	3,478	2,989
Furniture and fixtures	2,825	2,388
Equipment under capital lease	143,027	-
Leasehold improvements	<u>1,965</u>	<u>1,390</u>
	<u>\$28,686,481</u>	<u>\$19,805,598</u>

On December 31, 2001, the Company entered into a sale-leaseback agreement with a domestic leasing company covering certain equipment. The agreement terms qualify as a capital lease. The lease is payable quarterly and expires on December 31, 2004. Information on the lease is summarized as follows:

	<u>2002</u>	<u>2001</u>
Present value of future minimum payments	\$ 580,000	\$1,000,000
Less: Current portion	(<u>380,000</u>)	(<u>420,000</u>)
	<u>\$ 200,000</u>	<u>\$ 580,000</u>

7. INTANGIBLE ASSETS – NET

	<u>2002</u>	<u>2001</u>
Technology transfer fees	\$4,816,737	\$5,456,574
Software costs and other deferred charges	<u>527,137</u>	<u>264,646</u>
	<u>\$5,343,874</u>	<u>\$5,721,220</u>

The technology transfer fees pertained to the use of 0.35 micron to 0.20 micron manufacturing processes and production technologies under license from SAG. On March 15, 2000, the Company entered into a technology transfer contract with Infineon. Infineon is SAG's subsidiary on April 1, 1999, to which SAG assigned its former semiconductor manufacturing division. This contract provides for the (a) transfer by Infineon of the 0.17 micron to 0.11 micron manufacturing processes and production technologies, and (b) total payment by the Company of US\$72,000 thousand for the technologies transferred. As of December 31, 2002, the Company had paid US\$47,000 thousand technology transfer fee. The contract also requires the Company to sell to MVI or Infineon 90% of the products developed from the transferred technology. The remaining 10% would be sold to other parties at the Company's discretion.

However, on January 27, 2003, Infineon informed the Company it was terminating the contract and declared that the Company could no longer use the transferred technology.

The Company's legal counsel affirmed that Infineon had no right to terminate the contract unilaterally if there are no events (for instance, bankruptcy, liquidation, substantial assets seized by court or other significant default) that would cause the Company to breach the contract. As of April 15, 2003, the Company had complied with all the contract terms.

In addition, on February 6, 2003, the Hsinchu Local Court ruled that the Company may continue to use the transferred technology in accordance with the contract while the case is ongoing.

On March 18, 2003, the Company notified Infineon it was terminating the contract but continued to retain the right to use the transferred technology.

8. SHORT-TERM BANK LOANS	<u>2002</u>	<u>2001</u>
Working capital loans: 2002 - payable in March 2003, 1.72%-6.90% interest; 2001 - repaid in March 2002, 2.95%-4.35% interest	\$3,129,750	\$3,235,179
Foreign-currency loans: Repayable in 180 days from acceptance; 2002 – US\$34,507 thousand, ¥ 320,940 thousand and €2,271 thousand, 0.61%-4.13% interest;		
2001 – US\$18,380 thousand, ¥ 822,970 thousand and €10,072 thousand, 0.6067%-5.1797% interest	<u>1,375,800</u>	<u>1,173,494</u>
	<u>\$4,505,550</u>	<u>\$4,408,673</u>

As of December 31, 2002, the unused credit lines for short-term bank loans were approximately \$3,852,605 thousand.

9. COMMERCIAL PAPER ISSUED

Commercial paper issued were guaranteed by various financial institutions. The balance as of December 31, 2001 was payable in February 2002 and bears annual interest rates of 0.50% to 3.22%.

10. BONDS ISSUED

These are five-year domestic secured bonds issued between May 23, 2002 and June 4, 2002 with aggregate face value of \$2,700,000 thousand. The bonds bear interest at 4.20%, payable annually. The bonds are due in annual installments from May 2005 and should be fully repaid by June 2007.

Among the terms of agreement on the bonds is the maintenance of specific financial ratios, including current ratio, liability ratio, interest coverage ratio and endorsement amount over capital ratio, which are tested semiannually and annually. As of December 31, 2002, the Company's ratios met the maintenance requirement.

11. CONVERTIBLE BONDS ISSUED

	<u>2002</u>	<u>2001</u>
Convertible bonds issued	\$6,988,991	\$6,597,028
Less: Current portion	(3,988,991)	-
	<u>\$3,000,000</u>	<u>\$6,597,028</u>

The Company issued Zero Coupon Euro Convertible Bonds (ECBs) with face value of US\$180,000 thousand. The ECBs were listed on the Luxembourg Stock Exchange (LSE) on April 6, 2001 and can be repurchased at the holders' option two years after issuance at a price set under the agreement. Unless previously redeemed, repurchased and canceled, or converted, the ECBs are redeemable on April 6, 2006. The bonds can be converted into the Company's common shares at \$44.89 per share (subject to adjustment as described in the agreement). Under certain conditions, either the ECB holders or the Company may redeem the ECBs before the maturity date. The Company refinanced its convertible bonds that have a put option on April 6, 2003 through a long-term financing agreement entered into in August 2002. This agreement amounted to \$5,000,000 thousand, of which \$3,000,000 thousand had been drawn upon and recorded as restricted assets under other assets.

The accrued redemption premium was \$733,991 thousand as of December 31, 2002.

12. LONG-TERM LOANS

Long-term loan sources and related information are as follows:

	<u>2002</u>	<u>2001</u>
Bank of Taiwan (BOT) - led bank consortium: \$5,000,000 thousand, repayable in 7 consecutive semiannual installments from August 2004 to August 2007; floating interest rate - 4.1314% in 2002	\$5,000,000	\$ -
Bayerische Landes Bank (BLB): US\$103,000 thousand, repayable in 11 consecutive semiannual installments from May 2001 to May 2006; floating interest rates - 1.9625% in 2002 and 2.4625% in 2001; full repayment made in February 2003	1,952,318	2,945,332

China Development Industrial Bank Inc. (CDIB): \$400,000 thousand, repayable in 17 consecutive quarterly installments from August 2003 to August 2007; floating interest rate - 3.550% in 2002 (Forward)	400,000	-
	<u>2002</u>	<u>2001</u>
Chiao Tung Bank: \$400,000 thousand, repayable in 7 consecutive semiannual installments from August 2004 to August 2007; floating interest rate - 4.550% in 2002	400,000	-
CDIB: \$400,000 thousand, repayable in 15 onsecutive quarterly installments from July 2002 to January 2006; floating interest - 5.640% in 2002 and 6.475% in 2001	346,666	400,000
Ta Chong Bank (TCB): \$300,000 thousand, repayable in June 2004; 3.89% fixed interest rate	300,000	-
CDIB: \$500,000 thousand, repayable in 8 consecutive semiannual installments from May 2001 to November 2004;floating interest rates - 3.00% to 5.70% in 2002 and 4.00% to 8.42% in 2001	\$ 250,000	\$ 375,000
Tai-shin International Bank: \$200,000 thousand, repayable in June 2003; 6.80% fixed interest rate	200,000	200,000
BLB: US\$95,000 thousand, repayable in 5 consecutive semiannual installments from May 2001 to May 2003; floating interest rate - 2.0875% in 2002and 2.5875% in 2001; full repayment made in February 2003	169,689	1,323,107
Bank of America (BOA) – led bank consortium: US\$320,000 thousand, repayable in 10 consecutive semiannual installments from May 1999 to November 2003; floating interest rate – 2.5625%; full repayment made in June 2002	-	3,018,409
Bridge loans: \$600,000 repayable in March 2002; fixed interest rates - 3.15% and 4.25%	-	6,000,000
TCB: The loan was payable in June 2002 and bore a fixed-interest rate at 6.35%	-	300,000
	<u>11,668,673</u>	<u>14,561,848</u>
Less: Current portion	<u>(1,821,122)</u>	<u>(4,764,950)</u>
	<u>\$9,847,551</u>	<u>\$9,796,898</u>

The loans from a bank consortium led by BOT were obtained to finance the purchase of machinery and equipment for a 12-inch wafer fabrication plant and required expansion of an 8-inch wafer fabrication plant. Among the loan agreement terms is the maintenance of specific financial ratios - current ratio, liability ratio, interest coverage ratio and endorsement amount over capital ratio, which are tested semiannually and annually.

As of December 31, 2002, the Company's ratios met the maintenance requirements.

13. PENSION PLAN

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

	<u>2002</u>	<u>2001</u>
a. Pension cost		
Service cost	\$40,781	\$39,850
Interest cost	7,236	6,178
Projected returns on plan assets	(3,638)	(3,127)
Amortization of unrecognized net transition obligation	<u>217</u>	<u>217</u>
	<u>\$44,596</u>	<u>\$43,118</u>
b. Reconciliation of the funded status of the plan and accrued pension cost:		
Benefit obligations:		
Vested benefit obligation	\$ 2,706	\$ 2,106
Non-vested benefit obligation	<u>74,515</u>	<u>49,692</u>
Accumulated benefit obligation	77,221	51,798
Additional benefits based on future salaries	<u>94,154</u>	<u>92,931</u>
Projected benefit obligation	171,375	144,729
Fair value of plan assets	(<u>84,584</u>)	(<u>62,980</u>)
Funded status	86,791	81,749
Unrecognized net transition obligation	(4,979)	(5,196)
Unrecognized net loss	<u>12,511</u>	(<u>6,871</u>)
Accrued pension cost	<u>\$94,323</u>	<u>\$69,682</u>
c. Vested benefit	<u>\$ 3,036</u>	<u>\$ 2,399</u>
d. Actuarial assumptions:		
Discount rates used in determining present values	4.0%	5.0%
Future salary increase rate	4.0%	5.0%
Expected rate of return on plan assets	4.0%	5.0%
e. Contributions to pension fund	<u>\$19,955</u>	<u>\$17,231</u>
f. Payments from pension fund	<u>\$ -</u>	<u>\$ -</u>

14. SHAREHOLDERS' EQUITY

Under the Company Law, capital surplus can only be used to offset a deficit or transferred to capital as stock dividend. This transfer is limited to the following: (i) donated capital; (ii) issue price in excess of the par value; (iii) sale price in excess of the par value of treasury stock sold; and (iv) issue price in excess of the par value of shares issued in a business combination.

The Company's Articles of Incorporation that the following should be appropriated from annual net income less any cumulative deficit:

- a. 10% of legal reserve;
- b. Special reserve based on regulations or statutes;
- c. 10% as bonus to employees and 2% as remuneration of directors and supervisors of the remainder after deducting items (a) and (b) above;
- d. Final remainder, as dividends.

Dividends are paid in cash or distributed in the form of stocks. The Company distributes dividends if it has excess cash after taking into account its capital expenditures. Also, the first \$2 per share dividend should be in the form of shares and at least 10% of the dividend in excess of \$2 per share should be paid in cash.

All appropriations and distributions should be approved by the shareholders in the following year and given effect to in the financial statements of that year.

There was no earnings appropriation in 2002 and 2001 because of the Company's accumulated losses. Information on earnings appropriation can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

Under the regulations of the Securities and Futures Commission, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheets, other than the deficit, is made from unappropriated retained earnings. The special reserve is adjusted according to the debit balance of such accounts at year-end.

The ROC Company Law provides that legal reserve should be appropriated until the reserve equals the aggregate par value of the Company's outstanding capital stock. This reserve can only be used to offset a deficit. When the reserve has reached 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

Under the Integrated Income Tax System, which took effect on January 1, 1998, resident individual shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated since January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company to monitor income tax actually paid by or withheld from the Company and the tax credit allocated to each shareholder. The maximum credit available for allocation to each resident shareholder cannot exceed the ICA balance on the dividend distribution date.

On May 23, 2002, the Company issued an additional 300,000 thousand shares (with \$10.00 par value) at a price of \$16.8 per share on the LSE in the form of global depositary shares (GDSs).

15. TREASURY STOCK (COMMON STOCK)

(Shares in Thousands)

<u>Purpose of Reacquisition</u>	<u>Beginning</u>	<u>Increase</u>	<u>Ending</u>
<u>Year ended December 31, 2002</u>	-		
Sale to employees	<u>15,396</u>	<u>94,885</u>	<u>110,281</u>
<u>Year ended December 31, 2001</u>			
Sale to employees	<u>-</u>	<u>15,396</u>	<u>15,396</u>

Under the regulations of the Securities and Futures Commission, a company may acquire up to 10% of its total outstanding shares. In addition, the aggregate acquisition cost cannot exceed the sum of the balances of retained earnings, the excess of the issue price over the par value of the capital stock issued, and realized capital surplus. In addition, the Company should not pledge the reacquired shares nor exercise shareholders' rights on those shares. As of December 31, 2002, the Company was in compliance with these restrictions.

16. INCOME TAX

- a. For the years ended December 31, 2002 and 2001, the Company did not have current income tax payable.

b. Income tax benefits (expenses) consisted of:

	<u>2002</u>	<u>2001</u>
Net change in deferred income tax:		
Temporary differences	(\$503,448)	(\$244,589)
Loss carryforwards	696,729	1,924,478
Tax credits for investments in machinery and equipment	(328,042)	(274,899)
Tax credits for R & D expenditures	63,470	142,189
Valuation allowance	378,434	(1,638,233)
Adjustments of income tax in prior year	<u> -</u>	<u>(596)</u>
Income tax benefits (expenses)	<u>\$307,143</u>	<u>(\$ 91,650)</u>

c. Deferred income tax assets (liabilities) consisted of the tax effects of the following:

	<u>2002</u>	<u>2001</u>
Current:		
Temporary differences	\$322,417	\$234,741
Loss carryforwards	315,710	-
Tax credits for investments in machinery and equipment	-	947,044
Tax credits for R & D expenditures	-	45,095
Less: Valuation allowance	<u> -</u>	<u>(992,139)</u>
	<u>\$638,127</u>	<u>\$234,741</u>
Noncurrent:		
Temporary differences	(\$1,741,062)	(\$1,149,938)
Loss carryforwards	2,305,497	1,924,478
Tax credits for investments in machinery and equipment	2,010,311	1,391,309
Tax credits for R&D expenditures	250,754	142,189
Less: Valuation allowance	<u>(1,658,268)</u>	<u>(1,044,563)</u>
	<u>\$1,167,232</u>	<u>\$1,263,475</u>

The effective tax rates for deferred income taxes were 22% in 2002 and 15% in 2001.

d. Integrated income tax information. The ICA balances were \$5,189 thousand and \$5,158 thousand as of December 31, 2002 and 2001, respectively.

There were no creditable tax ratios for 2002 and 2001 because of deficits.

- e. As of December 31, 2002 and 2001, the unappropriated retained earnings generated until 1997 were both \$1,817 thousand.
- f. The income from the expansion of the first manufacturing plant is exempt from income tax from 2001 to 2004.
- g. The unused investment tax credits as of December 31, 2002 were as follows:

<u>Regulation</u>	<u>Items</u>	<u>Total Creditable Amounts</u>	<u>Remaining Creditable Amounts</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Investments in machinery and equipment	\$ 94,248	\$ 94,248	2003
		78,263	78,263	2004
		1,224,804	1,224,804	2005
		<u>612,996</u>	<u>612,996</u>	2006
		<u>\$2,010,311</u>	<u>\$2,010,311</u>	

(Forward)

<u>Regulation</u>	<u>Items</u>	<u>Total Creditable Amounts</u>	<u>Remaining Creditable Amounts</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Research and development expenditures	\$ 130,667	\$ 130,667	2005
		<u>120,087</u>	<u>120,087</u>	2006
		<u>\$250,754</u>	<u>\$250,754</u>	
Income Tax Law	Loss carryforwards	\$ 1,748,519	\$1,748,519	2006
		<u>872,688</u>	<u>872,688</u>	2007
		<u>\$2,621,207</u>	<u>\$2,621,207</u>	

The income tax returns through 1999 had already been examined and cleared by the tax authorities.

17. LOSS PER SHARE

The numerators and denominators used in calculating basic and diluted loss per share were as follows:

	<u>Amounts (Numerator)</u>		<u>Shares</u> (Denominator) (Thousands)	<u>Loss Per Share</u> (NT\$)	
	<u>Before</u> <u>Income</u> <u>Tax</u>	<u>After</u> <u>Income</u> <u>Tax</u>		<u>Before</u> <u>Income</u> <u>Tax</u>	<u>After</u> <u>Income</u> <u>Tax</u>
<u>Year ended</u> <u>December 31, 2002</u>					
Net loss	(\$2,354,863)	(\$2,047,720)			
Basic and diluted loss per share Common shareholders' loss	(\$2,354,863)	(\$2,047,720)	3,420,743	(\$ 0.69)	(\$ 0.60)
<u>Year ended</u> <u>December 31, 2001</u>					
Net loss	(\$5,978,302)	(\$6,069,952)			
Basic and diluted loss per share Common shareholders' loss	(\$5,978,302)	(\$6,069,952)	3,266,605	(\$ 1.83)	(\$ 1.86)

18. RELATED-PARTY TRANSACTIONS

The Company had transactions with the following related parties:

<u>Related Party</u>	<u>Relationship with the Company</u>
ChipMOS Technologies Inc. (ChipMOS)	Same chairman of the board of directors
Infineon Technologies A. G. (Infineon)	37% common stockholder
Mosel Vitelic Inc. (MVI)	28% common stockholder

The significant transactions with these related parties, other than those disclosed in other notes, are summarized as follows:

	2002		2001	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Sales				
Infineon	\$17,635,508	96	\$9,192,868	94
MVI	<u>675,277</u>	<u>4</u>	<u>618,189</u>	<u>6</u>
	<u>\$18,310,785</u>	<u>100</u>	<u>\$9,811,057</u>	<u>100</u>
Manufacturing expenses				
Infineon and its affiliates	\$ 245,984	1	\$ 179,688	2
ChipMOS	<u>-</u>	<u>-</u>	<u>5,002</u>	<u>-</u>
	<u>\$ 245,984</u>	<u>1</u>	<u>\$ 184,690</u>	<u>2</u>
Research and development expenses (testing) – Infineon	<u>\$ 4,606</u>	<u>-</u>	<u>\$ 70,369</u>	<u>6</u>
Personnel support expenses - MVI	<u>\$ 7,492</u>	<u>-</u>	<u>\$ 8,018</u>	<u>-</u>
Consulting fees – MVI	<u>\$ 5,815</u>	<u>-</u>	<u>\$ 13,808</u>	<u>1</u>
External service fees - Infineon and its affiliates	<u>\$ -</u>	<u>-</u>	<u>\$ 2,454</u>	<u>-</u>
Rental expenses – MVI	<u>\$ 60,074</u>	<u>2</u>	<u>\$ 60,158</u>	<u>3</u>
Rental revenue – MVI	<u>\$ 3,860</u>	<u>100</u>	<u>\$ 5,040</u>	<u>99</u>
Other revenue				
MVI	\$ 12,506	36	\$ 24,938	67
Infineon	<u>-</u>	<u>-</u>	<u>167</u>	<u>-</u>
	<u>\$ 12,506</u>	<u>36</u>	<u>\$ 25,105</u>	<u>67</u>
Properties purchased - Infineon and its affiliates	<u>\$ 150</u>	<u>-</u>	<u>\$ 13,715</u>	<u>-</u>
Technology transfer fees (intangible assets) – Infineon	<u>\$ 874,875</u>	<u>16</u>	<u>\$ 328,400</u>	<u>6</u>
(Forward)				

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>At year-end</u>				
Trade accounts receivable				
Infineon	\$7,118,784	94	\$2,110,722	86
MVI	<u>431,580</u>	<u>6</u>	<u>346,619</u>	<u>14</u>
	<u>\$7,550,364</u>	<u>100</u>	<u>\$2,457,341</u>	<u>100</u>
Other receivables (prepaid expenses and other current assets)				
MVI	\$ 38,620	21	\$ 41,036	97
Infineon and its affiliates	10,045	5	1,485	3
ChipMOS	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 48,665</u>	<u>26</u>	<u>\$ 42,522</u>	<u>100</u>
Prepaid rent – MVI	<u>\$ 5,307</u>	<u>36</u>	<u>\$ 5,307</u>	<u>4</u>
Refundable deposits – MVI	<u>\$ 14,487</u>	<u>96</u>	<u>\$ 14,487</u>	<u>96</u>
Other payables				
MVI	\$ 47,525	6	\$ 39,530	6
Infineon and its affiliates	<u>36,730</u>	<u>5</u>	<u>17,563</u>	<u>2</u>
	<u>\$ 84,255</u>	<u>11</u>	<u>\$ 57,093</u>	<u>8</u>
Rental in advance – MVI	<u>\$ 1,007</u>	<u>-</u>	<u>\$ 1,260</u>	<u>-</u>
Guarantee deposits – MVI	<u>\$ 840</u>	<u>100</u>	<u>\$ 840</u>	<u>100</u>

Under the terms and conditions of Joint Venture Agreement (JVA) and Capacity Reservation Agreement (CRA) between MVI and Infineon, the licensed products of the Company are sold as follows:

The Company allocates a certain portion of its production capacity for sale to new markets or to new customers. The remaining portion is sold to Infineon. Infineon would then resell this capacity to MVI at a negotiated ratio, which was 52% in 2002. On October 4, 2002, Infineon informed MVI of its decision to terminate the JVA. Currently, MVI is still confirming the validity of this termination. If the termination is determined to be legally effective, the CRA, both MVI and Infineon will lose the right to buy products from the Company on December 31, 2002. Since the Company was not among the original parties to the JVA, management believes the JVA termination would not directly affect the Company.

Once the CRA is terminated on December 31, 2002, the Company will retain all the right to allocate all its production capacity. In addition, the Technology Transfer Contract referred to in Note 7 is independent of the CRA and is therefore not affected by the termination.

Prices on sales to Infineon and MVI are determined monthly by the Company, MVI and Infineon, taking into account existing market conditions. The payment terms for MVI and Infineon are 120 days and 60 to 120 days, respectively, after their respective shipment dates. As of December 31, 2002, the overdue amounts of MVI were \$356,302 thousand and those of Infineon, \$729,879 thousand.

On February 20, 2003, Infineon and the Company reached an agreement to transfer to MVI a portion of the Company's accounts receivable from Infineon, amounting to \$3,430,524 thousand as of December 31, 2002. MVI will be held responsible for repaying the Company.

19. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collateral for customs duties; credit lines for forward exchange contracts and long-term loans and bonds issued; bank deposits for bridge loans; and those restricted for ECB holders' redemption.

	<u>2002</u>	<u>2001</u>
Time deposits		
Current assets	\$ 2,000	\$ 1,500
Other assets	-	349,500
Bank deposits for bridge loans	-	6,170,000
Properties - net	19,506,227	9,058,127
Restricted assets	<u>3,000,000</u>	<u>-</u>
	<u>\$22,508,227</u>	<u>\$ 15,579,127</u>

20. LONG-TERM OPERATING LEASES

The Company leases parcels of land from the Hsinchu Science-Based Industrial Park (SIPA) and a building from MVI under renewable agreements expiring in 2015 and 2004, respectively. The total annual rent to SIPA and MVI, which is subject to adjustments, is \$86,149 thousand. Future minimum rents are as follows:

<u>Year</u>	<u>Amount</u>
2003	\$86,149
2004	31,916
2005	27,097
2006	27,097
2007	27,097
2008 and thereafter	<u>207,746</u>
	<u>\$407,102</u>

21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies as of December 31, 2002, except those disclosed in other notes, are as follows:

- a. The unbilled portion of the contracts on the expansion of 8-inch and the construction of 12-inch wafer fabrication plant amounted to \$1,506,329 thousand.
- b. Unused letters of credit amounted to US\$19,289 thousand, ¥ 1,237,322 thousand, €6,487 thousand and ATS1,680 thousand.
- c. Hsin Yu Energy Development Co. ("Hsin Yu") filed an arbitration request with the ROC Arbitration Association in June 2000 over disputes arising from the Steam Supply Agreement and the Joint Installation Agreement with the Company, seeking \$1,200,000 thousand in damages from the Company. The Company filed a counterclaim and sought compensation from Hsin Yu for the loss on buying steam supply equipment, which became useless when ProMOS terminated the agreements because of some issues with Hsin Yu.

On August 30, 2002, Hsin Yu withdrew the arbitration request but requested the ROC Arbitration Association for another arbitration, claiming the first tribunal failed to render an award within nine months from the formation of the tribunal.— To avoid delay in settling this case, the Company filed an additional counterclaim in September 2002 that Hsin Yu is not entitled to claim \$1,200,000 thousand in damages from the Company. However, alleging that the 2000 arbitration tribunal failed to render an award within nine months from the formation of the tribunal, Hsin Yu brought a lawsuit to the Taipei District Court on November 28, 2002 for a declaratory judgment that Hsin Yu is entitled to claim \$1,200,000

thousand in damages from the Company. (The 2000 arbitration tribunal was originally scheduled to render an award on December 5, 2002; however, it decided on December 2, 2002 to suspend the arbitration proceedings, claiming that the arbitration period had not expired.) The Company filed a motion with the tribunal for resumption of the arbitration proceedings. If the tribunal agrees to resume the arbitration proceedings, its award will be available shortly and will be binding on the 2002 arbitration.

The first and second hearings of the 2002 arbitration took place on February 18 and March 5, 2003, respectively. As of April 15, 2003, the 2002 arbitration tribunal had not rendered an award. Based on the opinion of the Company's legal counsel, management believes that the outcome of the case will not materially affect the Company's financial position and its operations. No provision on Hsin Yu's claims has been recorded in the accompanying financial statements.

- d. The Company and the investment banks, Credit Suisse First Boston and Credit Suisse First Boston International, filed civil actions with the British Court with respect to the Company's forward exchange contracts. In December 2002, the parties have come to a resolution, in which the Company should pay a certain amount of indemnification.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Company expects to receive U.S. dollars from its export sales, pay U.S. dollars on its loans and pay Japanese Yen and Euros for some imported materials, machinery and equipment. It has entered into foreign-currency option contracts with banks to hedge exchange rate risks. The Company had no open foreign-currency option contracts as of December 31, 2002.

The transaction risks related to options are as follows:

- a. Credit risk. The banks with which the Company has entered into the above contracts are reputable. Thus, management believes that the Company is not exposed to significant credit risks arising from probable defaults by counter-parties.
- b. Market price risk. The Company entered into foreign-currency option contracts to manage exchange rate risks on foreign currency receivables or payables. Gains or losses on these contracts are likely to be offset by gains or losses from the hedged receivables and payables. Thus, market price risks are believed to be minimal.

c. Liquidity and cash requirement.

The cash flow requirements for the Company's foreign currency options are limited to premium payments and the net differences between the option rate and the prevailing rate. The Company has sufficient operating capital to meet the cash demand. Moreover, options may not have to be exercised at all in cases where the strike price is higher than the related market price on the exercise date of a given option. Therefore, there is no material fund raising risk and cash flow risk.

d. Hedge strategy.

All derivative financial instruments are intended to hedge adverse fluctuations in currency exchange rates on the Company's foreign currency receivables or payables. The Company's hedge strategy is to use instruments that offset the fluctuations in their values with the changes in the values of the hedged items. The effectiveness of the hedging instruments is periodically evaluated.

e. Fair value of financial instruments

	December 31, 2002		December 31, 2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Cash and cash equivalents	\$ 4,840,136	\$ 4,840,136	\$ 5,398,866	\$ 5,398,866
Pledged time deposits (including other asset portion)	2,000	2,000	351,000	351,000
Bank deposits for bridge loans	-	-	6,170,000	6,170,000
Investments in mutual funds	3,000	3,018	957,548	957,679
Trade accounts receivable - related parties	7,550,364	7,550,364	2,457,341	2,457,341
Trade accounts receivable - third-party customers	\$ 2,429	\$ 2,429	\$ -	\$ -
Other receivable from related parties (under prepaid expenses and other current assets)	48,665	48,665	42,522	42,522
Long-term investment in debt securities	200,000	200,000	200,000	200,000
Restricted assets	3,000,000	3,000,000	-	-
Refundable deposits	15,017	15,017	15,020	15,020
<u>Liabilities</u>				
Short-term bank loans	4,505,550	4,505,550	4,408,673	4,408,673
Commercial paper issued	-	-	1,690,000	1,690,000
Notes payable	315	315	2,041	2,041
Accounts payable	1,338,486	1,338,486	928,978	928,978

(Forward)

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Other payables to related parties (under accrued expenses and other current liabilities)	84,255	84,255	57,093	57,093
Payable to contractors and equipment suppliers	2,058,096	2,058,096	3,759,118	3,759,118
Bonds issued	2,700,000	2,732,860	-	-
Convertible bonds issued	6,988,991	6,988,991	6,597,028	6,597,028
Capital lease obligations (including current portion)	580,000	580,000	1,000,000	1,000,000
Long-term loans (including current portion)	11,668,673	11,668,673	14,561,848	14,561,848
Guarantee deposits	840	840	840	840

Fair values were determined as follows:

- 1) Short-term financial instruments and long-term investment in debt securities – carrying values because of the short maturity or settlement periods. The short-term instruments are cash and cash equivalents, pledged time deposit, trade accounts receivable, other receivables, short-term bank loans, commercial paper issued, notes and accounts payable, payable to contractors and equipment suppliers, and other payables.
- 2) Investments in mutual funds – market values.
- 3) Long-term liabilities – except for the fair value of bonds, which is estimated using discounted cash flow analysis, fair values of long-term liabilities are based on their carrying values because of their floating interest rates.
- 4) Refundable and guarantee deposits – carrying values.

Only the fair values of certain nonderivative financial instruments are disclosed above. Thus, the sum of the fair value of the financial instruments listed above is not equal to the Company's fair value.

23. ADDITIONAL DISCLOSURES

Except for the following, the Company and its affiliates have no other significant transactions, investees and investments in Mainland China information that are subject to additional disclosure requirements of the Securities and Futures Commission.

- a. Marketable securities held: Table 1 (attached).
- b. Marketable securities acquired and disposed of at costs or prices of at least \$100,000 thousand or 20% of the paid-in capital: Table 2 (attached).

- c. Total purchase from or sale to related parties amounting to at least \$100,000 thousand or 20% of the paid-in capital: Table 3 (attached).
- d. Receivables from related parties amounting to at least \$100,000 thousand or 20% of the paid-in capital: Table 4 (attached).
- e. Derivative financial transactions: Please see Note 22.

24. SEGMENT FINANCIAL INFORMATION

- a. Industry. The Company's business is limited to the semiconductor industry.
- b. Geographic information. The Company has no operations outside of the ROC.
- c. Export sales. The Company's sales to Europe were \$17,635,508 thousand in 2002 and \$9,192,868 thousand in 2001.
- d. Major customers. Sales to customers representing at least 10% of total sales were as follows:

<u>Customer</u>	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
A	\$17,635,508	96	\$9,192,868	94

5. Consolidated Financial Statements and Independent Auditors' Report : None.

6. Financial Forecast and Operation Results from 2001 to 2002

Unit: Thousand NTD

Item	2002 Forecast (Reviewed by CPA)			The Report Audited by CPA		2003 Forecast (Reviewed by CPA)	
	Original (03/26/2002)	Revise 1 (08/26/2002)	Revise 2 (11/01/2002)	Actual	(%)	Original (02/07/2003)	Revise (05/07/2003)
Net Sales	28,837,562	20,686,486	18,646,442	18,321,732	98.26%	26,250,210	22,327,246
Cost of Goods Sold	20,284,045	17,693,508	17,619,795	17,365,235	98.56%	22,148,621	20,143,013
Gross Profit	8,553,517	2,992,978	1,026,647	956,497	93.17%	4,101,589	2,184,233
Operating Expense	2,877,995	2,576,689	2,527,314	2,514,758	99.50%	2,677,190	2,486,703
Operating Income(Loss)	5,675,522	416,289	(1,500,667)	(1,558,261)	103.84%	1,424,399	(302,470)
Non-Operating Income	537,405	980,620	918,107	953,635	103.87%	131,018	201,671
Non-Operating Expense	1,212,563	1,201,827	1,177,043	1,750,237	148.70%	999,277	1,088,534
Net Income before Tax	5,000,364	195,082	(1,759,603)	(2,354,863)	133.83%	556,140	(1,189,333)
Net Income	5,012,312	670,082	(1,452,460)	(2,047,720)	140.98%	556,140	(1,189,333)

(1) Reason for revise of the financial forecast:

Semiconductor industry fluctuated violently and economic recovery was under expectation so expected average unit selling price was under actual average unit selling price. We have to reduce the financial forecast.

(2) The reasons for punishment from SFI, and OTC

On October 21, 2002, Greta Securities Market (GSM) notified the Company a demerit for the 2002 revised forecasted financial statements. The main reason was GSM believed the revision of the forecasted financial statements and re-evaluation for effects of changes in sensitive basic assumptions were not in time.

On January 16, 2003, GSM notified the Company a demerit for the 2002 second revised forecasted financial statements. The main reason was the time period between the first and second revision was merely two months, yet the second revision lowered the forecasted income before tax for the fourth quarter dramatically. Since, there is no obvious upward trend for the DRAMs industry, the sensitive basic assumption of the first revision was not appropriate.

Financial Status, Operation Results and Risk Management

1. Financial Position

Financial Position

Unit: Thousand NTD

Item	Year	2002	2001	Variance	
				Amount	%
Current Assets		15,779,602	16,698,292	(918,690)	(5.50)%
Fixed Assets		40,779,907	43,336,979	(2,557,072)	(5.90)%
Other Assets		4,199,850	1,712,096	2,487,754	145.30%
Total Assets		66,303,233	67,668,587	(1,365,354)	(2.02)%
Current Liabilities		14,854,271	16,680,113	(1,825,842)	(10.95)%
Long-Term Liabilities		15,747,551	16,973,926	(1,226,375)	(7.23)%
Total Liabilities		30,695,238	33,723,076	(3,027,838)	(8.98)%
Capital Stock		35,698,479	32,698,479	3,000,000	9.17%
Capital Surplus		3,350,050	6,090,000	(2,739,950)	(44.99)%
Retained Earnings		(2,047,720)	(4,649,553)	2,601,833	(55.96)%
Total Shareholders' Equity		35,607,995	33,945,511	1,662,484	(4.90)%

2. Operation Results

(1) Operation Results

Unit: Thousand NTD

Item	Year	2002	2001	Variance	Variance %
Less: Sales Returns and Allowance		15,832	106,926	(91,094)	(85.19) %
Net Sales		18,321,732	9,814,473	8,507,259	86.68 %
Cost of Sales		17,365,235	12,210,685	5,154,550	42.21 %
Gross Profit		956,497	(2,396,212)	3,352,709	(139.92) %
Operating Expense		2,514,758	2,008,054	506,704	25.23 %
Operating Income		(1,558,261)	(4,404,266)	2,846,005	(64.62) %
Non-Operating Income		953,635	555,249	398,386	71.75 %
Non-Operating Expense		1,750,237	2,129,285	(379,048)	(17.80) %
Income before Tax		(2,354,863)	(5,978,302)	3,623,439	(60.61) %
Tax Benefit (Expense)		307,143	(61,650)	398,793	(435.13) %
Income after Tax		(2,047,720)	(6,069,952)	4,022,232	(66.26) %

(2) Gross Profit Variance Analysis

Unit: Thousand NTD

Gross Profit in 2001	Gross Profit in 2002	Variance	Variance Owing to Price Difference	Variance Owing to Cost Difference	Variance Owing to Sales Mix Difference	Variance Owing to Quantity Difference
(2,396,212)	956,497	3,352,709	4,764,401	(1,966,877)	1,156,798	(601,613)

3. Cash Flow

Cash Flow

Unit: Thousand NTD

Cash Balance as of December, 2001	Net Cash Provided by Operating Activities	Net Cash Outflows	Cash Balance	Remedy for cash Shortfall	
				Investment Plan	Financing Plan
5,398,866	3,374,632	23,392,579	(14,619,081)	Disposal Short-Term Investment	1. Issuing GDR 2. Issuing Bonds 3. Long-Term Bank Loan

4. Major Capital Expenditure

(1) Major Capital Expenditure and its Source of Capital

Unit: Thousand NTD

Project	Actual or Planned Source of Capital	Actual or Planned Completion Date	Total Amount	The Execution of Major Capital Expenditure			
				2001	2002	2003	2004
Production Equipment	Issuing ECB and GDR	2004.09.30	37,945,300	16,763,532	8,192,744	6,265,054	6,723,970

(2) Estimated Possible Benefit

(a) Estimated Capacity Increasing :

Unit: Thousand NTD

Year	Item	Product Quantity	Sales Quantity	Sales Amount	Gross Profit
2003	DRAMs	73,895 Pieces	73,895 Pieces	10,010,178	1,135,363
2004	DRAMs	170,437 Pieces	170,437 Pieces	24,634,613	4,187,884
2005	DRAMs	198,977 Pieces	198,977 Pieces	32,143,616	8,035,904

(b) Other Benefits : None.

5. Long-Term Investment : None.

6. Risk Management : None.

Special Notes

1. Affiliates Information

(1) Relationship Between the Subsidiary and the Controlling Company

Unit: Thousand Shares, %

Name of Controlling Company	Nature of Control	Holding and Pledge of Shares by the Controlling Company			Representatives of the Controlling Company as Director, Supervisor or Manager	
		Holding (Thousand Shares)	Holding (%)	Shares Pledged	Position	Name
Mosel Vitelic Inc.	Physical control	1,329,935	37.25%	1,087,386	Director, Chairman Director, President Director Director Director Supervisor	Hung-Chiu Hu M.L. Chen Hsing Tuan John Seto Len Mei Thomas Chang

Note: When the controlling company of the subsidiary is itself a subsidiary of a third company, information related to said third company is also required; the same provision applies when said third company is a subsidiary of another company, and so on.

(2) Purchases, Sales Transactions with Related Party

Unit: Thousand NTD, %

Transactions with Controlling Company				Transaction Terms with Controlling Company		Common Transaction Terms		Reason for Difference	Accounts and Notes Receivable (Payable)		Delinquent Accounts Receivable			Remark
Purchases (Sales)	Amount	% of Total Purchases (Sales)	Gross Profit	Unit Price (\$NTD)	Term	Unit Price (\$NTD)	Term		Balance	% of Total Accounts and Notes Receivable (Payable)	Amount	How Handled	Allowance for Doubtful Accounts	
Sales	675,277	4%	35,390	-	120 days after shipment dates	-	-	-	431,580	6%	356,302	On demand	-	Comparison of transaction terms cannot be made due to lack of transactions of similar nature with other companies

Note 1: If there are prepayments received or deposits made, indicate in the Remark column its reason, contract clauses, amount and difference with regular contraction pattern.

Note 2: This form may be adjusted to accommodate posting of other account information, and exempted if there are no accounts to be itemized due to the nature of the line of business.

(3) Property Transactions

Unit: Thousand NTD

Transaction Type (Acquisition or Disposal)	Name of Property	Transaction Date or Date of Fact	Transaction Amount	Delivery or Payment Term	Payment Status	Disposal Gain (Loss) (Note 1)	Reason why Controlling Company is the Other Party in the Transaction	Information on Previous Transfer (Note 2)				How Trading Decision was Made	Basis for Determination of Price	Purpose of Acquisition or Disposal and Use Status	Other Agreements
								Proprietor	Relationship with Company	Transfer Date	Amount				
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Exempt for acquisition of property.

Note 2:(1) For acquisition of property, the original acquisition data of the controlling company are required; for disposal of property, the original acquisition data of the subsidiary are required.

(2) In "Relationship with company", describe the relationship of the proprietor to both the subsidiary and the controlling company.

(3) If the other party in the previous transfer is a related party, list the information on the previous transfer for the said related party in the same column.

Note 3: Describe the management authority for deciding the deal.

(4) Financing Accommodation

Unit: Thousand NTD, %

Transaction Type (Lending or Borrowing)	Max. Balance	Year-end Balance	Interest Range	Accrued Interest for the Year	Financing Term	Reason for Financing	Collateral Acquired (Provided)		How Trading Decision was Made (Note 1)	Allowance for Doubtful Accounts (Note 2)
							Name	Amount		
None	-	-	-	-	-	-	-	-	-	-

Note 1: Describe the management authority for deciding the deal.

Note 2: Exempt for fund borrowing.

Related Party Report Statement

We hereby state that our Related Party Report for the year ended in 2002 was prepared in accordance with the “Guidelines for Preparing Consolidated Business Report, Consolidated Financial Statements and Related Party Report”, and information disclosed therein is free of any major discrepancy from that presented in notes to financial statements for the same period.

ProMOS Technologies Inc.

Chairman: Hung-Chiu Hu

President: M.L. Chen

Financial Executive Officer: James Wu

April 30, 2003

TO: ProMOS Technologies Inc.

RE: Our opinion with regard to the Company's representation on related parties report for 2002

The Company's representation (see attached) on related parties report (as of and for December 31, 2002) dated on April 30, 2003, declared that the report was prepared in accordance with the "Guidelines for Preparing Consolidated Business Report, Consolidated Financial Statements and Related Party Report" (the Guidelines), and information disclosed therein is free of any major discrepancy from that presented in notes to financial statements for the same period.

We have compared the Guidelines with the notes to financial statements as of and for year ended December 31, 2002 and did not find any major discrepancy between them.

T N Soong & Co
(An Associate Member Firm of Deloitte Touche Tohmatsu)
Taipei, Taiwan
The Republic of China

May 20, 2003

2. Internal Control System Execution Status

ProMOS Technologies, Inc.

Internal Control Announcement

Date : APRIL 7,2003

Announcement of the final conclusion by self assessment of the internal control system for the period from January 1, 2002, to December 31, 2002:

1. The Company acknowledged that the establishment, implementation and maintenance of the internal control system are the management's responsibility. The Company has established such system. Its purpose is to provide reasonable assurance to accomplish the following objectives: (1) Effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets) (2) Reliability of financial reporting (3) Compliance with applicable laws and regulations.
2. The internal control system has inherent restraints, in spite of the best possible design; the internal control system can only provide reasonable assurance to accomplish the three objectives above. However, resulting from the environment or situation changes, the effectiveness of internal control system may change as well. The Company's internal control system does have a self-monitoring function. As soon as any weaknesses or faults are recognized, the Company will be able to take necessary corrective actions immediately.
3. The Company is in compliance with the regulations regarding the judgement items for the effectiveness of the internal control of the 「 Implementation criteria of Internal Control System of Public Offering Companies 」 (hereinafter referred to as the 「 Implementation criteria 」) promulgated by the Securities & Futures Commission. These regulations are to judge the effectiveness of internal control system's design and implementation. The 「 Implementation criteria 」 consist of five internal control component elements: (1) Control Environment (2) Risk Assessment (3) Control Activities (4) Information and Communication (5) Monitoring. These elements are in compliance with the management control process and split-up into several judgement items. Every judgement items also includes several assessment points. For all these judgement items and assessment points, please refer to the regulations of the 「 Implementation criteria 」 .
4. The Company has adopted the above internal control judgement items to assess the internal control system's design and implementation effectiveness.
5. Based on the inspection results, the Company recognized that the internal control system (including the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations related to the design and implementation of the internal control system) has been effective in the period shown above and is able to provide a reasonable assurance to accomplish the above objectives.
6. The announcement will become a major content of the annual report and the prospectus, and will be open to the public. If the above contents involve illegal matters such as falsification or concealment, we will have legal consequences stated in the securities exchange laws and regulations, referred to the articles 20, 32, 171 and 174.
7. The announcement has been approved by the board meeting on April 7, 2003. The 7 attending directors, 0 directors opposed and 7 directors agreed with the contents of the announcement.

ProMOS Technologies, Inc.

Chairman of the board of directors : Hung-Chiu Hu Seal

President : M. L. Chen Seal

3. Different Opinion to Board Meeting Decision : None.

4. Private Placement Securities : None.

5. ProMOS Shares Disposed of and Held by Subsidiaries : None.

6. Major Decisions of Board Meetings and Shareholder Meetings

(1) Important resolutions from shareholders' meeting

Important resolutions from shareholder's meeting on June 6, 2002: (a) Ratify 2001 Audited Financial Statements; (b) Ratify 2001 Offset Deficit Plan; (c) Approval of Amendment of Articles of Incorporation; (d) Approval of fund raising plan; (e) Approval of the Amendment of the Rules for Shareholders' Meetings; (f) Approval of the Amendment of the Rules for Election of Directors and Supervisors.

Important resolutions from special shareholder's meeting on January 10, 2003: (a) Approval of authorization granted to the president; (b) Approval of election of 3rd term directors and supervisors; (c) Approval of release the directors to be elected for the 3rd term from the non-competition restriction under Article 209 of the Company Law; (d) Approval of dismiss one director and one supervisors from 3rd term directors and supervisors.

(2) Important resolutions from board meeting

Board meeting important resolutions for the year 2002 included: (a) Approval of issuing Global Depository Receipts; (b) Approval of Amendment of Articles of Incorporation; (c) Approval of 2001 Audited Financial Statements; (d) Approval of the amount of NT\$ 5,350 million Secured Bond and Syndication Loan; (e) Approval of 2002 Financial Forecast; (f) Approval of 2001 Offset Deficit Plan; (g) Approval of the Amendment of the Rules for Shareholders' Meetings; (h) Approval of the Amendment of the Rules for Election of Directors and Supervisors; (i) Approval of the Amendment of the Guidelines on Capital Lending; (j) Approval of the amount of NT\$5 billion Syndication Loan; (k) Approval of 2002 Revised Forecast; (l) Approval of the Financial Reports of the First Half of 2002; (m) Approval of application to government for setting up 8" facility in People's Republic of China; (n) Approval of buying back of issued shares; (o) Approval of 2002 Re-Revised Forecast; (p) Approval of calling special shareholder' meeting; (q) Approval of the issuing of an Euro Convertible Bond (ECB) or a Local Convertible Bond (LCB).

Board meeting important resolutions from 01/01/2003 to 04/30/2003 included: (a) Approval of election Chairman of the third term Board; (b) Approval of increasing the issuance amount of Euro Convertible Bonds; (c) Approval of application for listing ProMOS' stock from Gretai Securities Market to Taiwan Stock Exchange Corporation; (d) Approval of 2003 Financial Forecast; (e) Approval of 2002 Offset Deficit Plan; (f) Approval of issuing Global Depository Receipts; (g) Approval of Amendment of Articles of Incorporation; (h) Approval of 2002 Audited Financial Statements; (i) Approval of changing Certified Public Accountants (CPA).

7. Legal Penalties : None.

8. Other Necessary Supplement : None.