

Powerchip Semiconductor Corporation

Financial Statements as of 31st December, 1999 and 1998

Together with Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors and the Stockholders
Powerchip Semiconductor Corporation

We have audited the accompanying non-consolidated balance sheets of Powerchip Semiconductor Corporation as of 31st December, 1999 and 1998, and the related statements of income, changes in stockholders' 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 generally accepted auditing standards 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 Powerchip Semiconductor Corporation as of 31st December, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in accordance with the regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the Republic of China.

T N Soong & Co
A Member Firm of Andersen Worldwide, SC
Taipei, Taiwan, ROC
2nd February, 2000

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.

POWERCHIP SEMICONDUCTOR CORPORATION

NON-CONSOLIDATED BALANCE SHEETS
31st December, 1999 and 1998
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	As of 31st December				LIABILITIES AND STOCKHOLDERS' EQUITY	As of 31st December			
	1999		1998			1999		1998	
	Amount	%	Amount	%	Amount	%	Amount	%	
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 11,912,766	28	\$ 4,326,216	13	Short-term bank borrowings (Notes 9 and 16)	\$ 100,000	-	\$ 487,237	1
Short-term investments (Notes 2 and 4)	742,931	2	1,064,595	3	Short-term bills payable (Note 10)	348,997	1	389,773	1
Receivable					Accounts payable (Note 15)				
Notes (Note 15)	-	-	75,511	-	Related parties	161,752	-	220,989	1
Accounts (Notes 2 and 15)					Nonrelated parties	681,571	2	378,260	1
Related parties - net of allowance for					Accrued expenses	562,099	1	466,653	1
doubtful accounts of NT\$56,991 in 1999 and					Payable on equipment (Note 15)				
NT\$4,807 in 1998	1,733,408	4	1,150,648	3	Related parties	497,207	1	227,478	1
Nonrelated parties - net of allowance for					Nonrelated parties	1,601,737	4	352,442	1
doubtful accounts of NT\$1,506 in 1999 and					Current portion of long-term bank loans (Notes 11 and 16)	4,131,704	10	3,603,276	11
NT\$3,298 in 1998	125,261	-	161,507	1	Other (Note 2)	4,249	-	7,594	-
Other (Note 18)	431,487	1	34,080	-	Total Current Liabilities	8,089,316	19	6,133,702	18
Inventories (Notes 2, 5 and 15)	1,819,546	4	961,141	3	LONG-TERM BANK LOANS (Notes 11 and 16)	5,604,142	13	9,438,349	28
Prepayments	169,901	1	65,203	-	OTHER LIABILITIES (Notes 2 and 12)	23,061	-	17,578	-
Deferred income tax assets (Notes 2 and 14)	54,613	-	47,457	-	Total Liabilities	13,716,519	32	15,589,629	46
Pledged time deposits (Note 16)	95,362	-	293,821	1	STOCKHOLDERS' EQUITY (Note 13)				
Other (Notes 2 and 19)	73,821	-	115,875	-	Capital stock, NT\$10 par value; authorized - 2,500,000 thousand				
Total Current Assets	17,159,096	40	8,296,054	24	shares in 1999 and 1,700,000 thousand shares in 1998; issued and				
LONG-TERM STOCK INVESTMENTS (Notes 2, 6,					outstanding - 1,701,000 thousand shares in 1999, and 1,401,000				
and 15)	1,056,012	2	872,478	3	thousand shares in 1998	17,010,000	40	14,010,000	41
PROPERTIES (Notes 2, 7, 15 and 16)					Capital surplus (Note 2)				
Cost					Paid-in capital in excess of par value	11,572,660	27	9,368,000	27
Buildings	2,740,187	7	2,736,723	8	Gain on disposition of properties	107	-	27	-
Machinery and equipment	19,996,002	47	18,149,282	53	Retained earnings (accumulated deficit)	600,812	1	(4,741,900)	(14)
Research and development equipment	22,266	-	21,424	-	Total Stockholders' Equity	29,183,579	68	18,636,127	54
Facility equipment	4,473,684	10	4,217,342	12					
Transportation equipment	9,054	-	8,387	-					
Office equipment	95,692	-	90,682	-					
Miscellaneous equipment	92,287	-	85,443	-					
	27,429,172	64	25,309,283	73					
Accumulated depreciation	(10,942,360)	(25)	(6,881,383)	(20)					
	16,486,812	39	18,427,900	53					
Construction in progress	53,628	-	-	-					
Prepayments	2,593,439	6	978,426	3					
Net Properties	19,133,879	45	19,406,326	56					
OTHER ASSETS									
Refundable deposits	18,014	-	10,551	-					
Organization costs (Note 2)	38,185	-	60,004	-					
Deferred charges - net (Notes 2, 8 and 15)	3,476,871	8	3,627,753	11					
Deferred income tax assets (Notes 2 and 14)	1,779,228	4	1,781,034	5					
Prepayment for land (Note 17)	60,835	-	-	-					
Spare parts (Note 15)	177,978	1	171,556	1					
Total Other Assets	5,551,111	13	5,650,898	17					
TOTAL ASSETS	\$ 42,900,098	100	\$ 34,225,756	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 42,900,098	100	\$ 34,225,756	100

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

English Translation of Financial Statements Originally Issued in Chinese

POWERCHIP SEMICONDUCTOR CORPORATION

NON-CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended 31st December, 1999 and 1998

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

	<u>For the Years Ended 31st December</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GROSS SALES	\$10,855,293	101	\$ 6,788,804	101
SALES RETURNS & ALLOWANCES	<u>126,305</u>	<u>1</u>	<u>44,508</u>	<u>1</u>
NET SALES (Notes 2, 15 and 21)	10,728,988	100	6,744,296	100
COST OF GOODS SOLD (Note 15)	<u>8,054,046</u>	<u>75</u>	<u>8,090,403</u>	<u>120</u>
GROSS PROFIT (LOSS)	<u>2,674,942</u>	<u>25</u>	(<u>1,346,107</u>)	(<u>20</u>)
OPERATING EXPENSES				
Selling	96,083	1	90,789	1
General and administrative	401,721	4	371,636	6
Research and development (Note 15)	<u>1,303,976</u>	<u>12</u>	<u>947,060</u>	<u>14</u>
Total Operating Expenses	<u>1,801,780</u>	<u>17</u>	<u>1,409,485</u>	<u>21</u>
INCOME (LOSS) FROM OPERATIONS	<u>873,162</u>	<u>8</u>	(<u>2,755,592</u>)	(<u>41</u>)
NON-OPERATING INCOME				
Interest	273,215	3	293,721	5
Reversal for loss on inventories and spare parts	161,960	1	28,808	-
Investment income under equity method - net (Notes 2 and 6)	143,499	1	-	-
Insurance income from fire damage - net	65,136	1	-	-
Gain on disposition of investments - net	54,815	1	-	-
Other	<u>21,928</u>	<u>-</u>	<u>86,732</u>	<u>1</u>
Total Non-Operating Income	<u>720,553</u>	<u>7</u>	<u>409,261</u>	<u>6</u>
NON-OPERATING EXPENSES				
Interest - net of capitalization of NT\$30 in 1998	820,799	7	947,980	14
Foreign exchange loss - net (Note 2)	112,457	1	446,987	7
Loss from earthquake - net (Note 18)	60,361	1	-	-
Investment loss under equity method - net (Notes 2 and 6)	-	-	46,314	1
Loss on disposition of investments - net	-	-	25,405	-
Other	<u>4,434</u>	<u>-</u>	<u>6,140</u>	<u>-</u>
Total Non-Operating Expenses	<u>998,051</u>	<u>9</u>	<u>1,472,826</u>	<u>22</u>

(Forward)

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INCOME (LOSS) BEFORE INCOME TAX	\$ 595,664	6	(\$ 3,819,157)	(57)
INCOME TAX BENEFIT (Notes 2 and 14)	<u>5,228</u>	<u>-</u>	<u>436,082</u>	<u>7</u>
NET INCOME (LOSS)	<u>\$ 600,892</u>	<u>6</u>	<u>(\$ 3,383,075)</u>	<u>(50)</u>
EARNINGS (LOSS) PER SHARE - Based on weighted average number of outstanding shares of 1,451,000 thousand in 1999 and 1,238,500 thousand in 1998	<u>\$ 0.41</u>		<u>(\$ 2.73)</u>	

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

English Translation of Financial Statements Originally Issued in Chinese

POWERCHIP SEMICONDUCTOR CORPORATION

NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended 31st December, 1999 and 1998

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

	CAPITAL STOCK ISSUED		CAPITAL SURPLUS (Note 2)			RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY (Note 13)
	Shares (Thousand)	Amount	Paid-in Capital in Excess of Par Value	Gain on Disposition of Properties	Total		
BALANCE, 1ST JANUARY, 1998	1,101,000	\$11,010,000	\$ 6,068,000	\$ 8	\$ 6,068,008	(\$1,358,806)	\$15,719,202
Issuance of capital stock, 16th July, 1998 - \$21 per share	300,000	3,000,000	3,300,000	-	3,300,000	-	6,300,000
Net loss in 1998	-	-	-	-	-	(3,383,075)	(3,383,075)
Gain on disposition of properties	-	-	-	19	19	(19)	-
BALANCE, 31ST DECEMBER, 1998	1,401,000	14,010,000	9,368,000	27	9,368,027	(4,741,900)	18,636,127
Transfer of paid-in capital in excess of par value to offset deficit	-	-	(4,741,900)	-	(4,741,900)	4,741,900	-
Issuance of capital stock, 2nd November, 1999 -\$34 per share (certain portion for GDS offering)	300,000	3,000,000	6,946,560	-	6,946,560	-	9,946,560
Net income in 1999	-	-	-	-	-	600,892	600,892
Gain on disposition of properties	-	-	-	80	80	(80)	-
BALANCE, 31ST DECEMBER, 1999	<u>1,701,000</u>	<u>\$17,010,000</u>	<u>\$11,572,660</u>	<u>\$ 107</u>	<u>\$11,572,767</u>	<u>\$ 600,812</u>	<u>\$29,183,579</u>

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

POWERCHIP SEMICONDUCTOR CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended 31st December, 1999 and 1998

(In Thousands of New Taiwan Dollars)

	For the Years Ended 31st December	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 600,892	(\$ 3,383,075)
Depreciation	4,083,448	3,475,019
Amortization	1,420,634	1,082,173
Receivable from insurance on earthquake damage	(242,886)	-
Reversal for loss on inventories and spare parts	(161,960)	(28,808)
Foreign exchange loss from bank loans	143,528	11,136
Investment (income) loss under equity method - net	(143,499)	46,314
Loss (gain) on disposition of investments - net	(54,815)	25,405
Provision for bad debts	50,391	8,105
Amortization of discount on short-term bills payable	23,361	44,307
Deferred income tax assets - net	(5,350)	(436,503)
Net loss on properties from fire damage	2,767	-
Reversal for decline in value of short-term investments	(1,947)	(5,428)
Loss on disposition of properties - net	440	1,406
Changes in operating assets and liabilities		
Notes and accounts receivable	(521,395)	(462,726)
Other receivables	(132,204)	4,807
Inventories	(665,763)	222,931
Prepayments	(104,699)	5,140
Other current assets	(408)	(19)
Accounts payable	244,073	(43,884)
Accrued expenses	95,446	199,978
Other current liabilities	(3,345)	3,798
Accrued pension costs	<u>1,407</u>	<u>3,441</u>
Net Cash Provided by Operating Activities	<u>4,628,116</u>	<u>773,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	(2,389,288)	(4,928,936)
Increase in deferred charges	(1,250,889)	(2,176,783)
Decrease (increase) in short-term investments	360,408	(798,094)
Decrease (increase) in pledged time deposits	198,459	(290,821)
Increase in long-term stock investments	(152,597)	(858,792)
Proceeds from disposition of long-term stock investments	130,580	-
Insurance income of properties on fire damage	71,080	-
Increase in prepayment for land	(60,835)	-
Increase in spare parts	(37,103)	(7,214)
Decrease (increase) in refundable deposits	(7,464)	8,949

(Forward)

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Insurance income of deferred charges on fire damage	\$ 2,957	\$ -
Proceeds from disposition of properties	<u>708</u>	<u>2,429</u>
Net Cash Used in Investing Activities	(<u>3,133,984</u>)	(<u>9,049,262</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	9,946,560	6,300,000
Repayments of long-term bank loans	(3,609,306)	(2,502,011)
Increase (decrease) in short-term bank borrowings	(387,237)	95,248
Additions to long-term bank loans	160,000	3,730,848
Decrease in short-term bills payable	(64,137)	(108,407)
Decrease (increase) in forward contract receivable	42,462	(115,711)
Increase (decrease) in refundable deposits received	4,076	(22)
Decrease in forward contract payable	<u>-</u>	(<u>127,424</u>)
Net Cash Provided by Financing Activities	<u>6,092,418</u>	<u>7,272,521</u>
NET INCREASE (DECREASE) IN CASH	7,586,550	(1,003,224)
CASH, BEGINNING OF YEAR	<u>4,326,216</u>	<u>5,329,440</u>
CASH, END OF YEAR	<u>\$11,912,766</u>	<u>\$ 4,326,216</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding amounts capitalized)	<u>\$ 816,098</u>	<u>\$ 939,695</u>
Noncash financing activities - current portion of long-term bank loans	<u>\$ 4,131,704</u>	<u>\$ 3,603,276</u>
Cash paid for acquisition of properties		
Total acquisition	\$ 3,908,312	\$ 4,042,939
Payable, beginning of year	579,920	1,465,917
Payable, end of year	(<u>2,098,944</u>)	(<u>579,920</u>)
	<u>\$ 2,389,288</u>	<u>\$ 4,928,936</u>

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

POWERCHIP SEMICONDUCTOR CORPORATION

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands of New Taiwan Dollars and Other Specified Currencies)

1. GENERAL

The Company was incorporated on 20th December, 1994 and became a public company on 6th February, 1995. The Company's stock has been traded on the Taiwan Over-The-Counter Securities Exchange since 23rd March, 1998. In November 1999, the Company had a new rights issue for cash, mainly in the form of Global Depository Shares (GDS). Such GDS has been listed on Luxembourg Stock Exchange and has been accepted for quotation on the SEAQ system of the London Stock Exchange and eligible for trading in the Portal Market of the Nasdaq Stock Market, Inc.

The business scope of the Company mainly includes research and development, manufacturing, testing, assembling, sub-contract and sales of various IC.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company, which conform to the regulations governing the preparation of financial statements of public companies and accounting principles generally accepted in the Republic of China, are summarized follows:

Short-term investments

Investments in listed stocks and mutual funds are stated at the lower of aggregate costs or market value. An allowance for decline in value is provided when the aggregate carrying value of the investments exceeds the total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income. Costs of such investments sold are determined by the moving average method.

Bonds purchased under agreements to resell are stated at cost. Costs of bonds sold are determined by the specific identification method.

Allowance for doubtful receivables

Allowance for doubtful receivables is provided based on a review of the estimated collectibility of individual receivables.

Inventories

Inventories are stated at the lower of weighted average cost or market value. Market value represents net realizable value or replacement cost.

Long-term stock investments

Investments for which the Company has significant influence on the investees are accounted for by equity method. Other investments are accounted for by cost method.

Costs of such investments sold are determined by the moving average method.

Properties

Properties are stated at cost less accumulated depreciation. Major additions, renewals, betterments, and interest incurred during the construction period are capitalized, while maintenance and repairs are expensed currently.

Depreciation is provided on the straight-line method over estimated service lives which range as follows: buildings, 10 to 20 years; machinery and equipment, 2 to 15 years; research and development equipment, 2 to 5 years; facility equipment, 3 to 15 years; transportation equipment, 5 years; office equipment, 3 to 5 years; miscellaneous equipment, 2 to 5 years. The carrying values of properties which have reached their original estimated service lives but are still in use are written off over their reestimated remaining service lives.

Upon sale or disposition 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. Any such gain, less applicable income tax, is currently transferred to capital surplus.

Organization costs

Organization costs are amortized over five years from start of operation.

Deferred charges

Deferred charges are amortized on the straight-line method over the following periods: technical know-how, remaining contract period; computer software system, 2 to 5 years; test-run costs and technical service charge, 5 years; others, 2 to 7 years.

Revenue recognition

Sales revenue is recognized when risk and title of products are transferred upon their shipment.

Pension benefits

The Company has a retirement plan covering all regular employees, which provides benefits based on length of service and average salaries and wages during the last six months before retirement. Starting May 1996, the Company makes monthly contributions to the pension fund equal to 2% of salaries and wages paid. The fund is administered by a pension fund committee and the contributions to the fund are deposited with Central Trust of China under the Committee's Name.

The annual pension costs are recognized as actuarially calculated.

Income tax

Provision for income tax represents income tax paid and payable for the current year plus the changes in the deferred income tax assets and liabilities during the year. Deferred income taxes are recognized for tax effects of temporary differences, unused tax credits, and operating loss carryforwards. Valuation allowance is provided for deferred tax assets that are not certain to be realized. Deferred tax assets or liabilities are classified as current or noncurrent items according to the nature of related assets or liabilities, or the expected reversal date.

Adjustments of prior years' tax 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 stockholders have resolved that the earnings shall be retained.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses caused by the application of different foreign exchange rates when foreign-currency receivables or payables are settled, are credited or charged to income in the year of conversion or settlement. At year-end, the balances of foreign-currency assets and liabilities are restated based on prevailing exchange rates and the resulting differences are credited or charged to income.

Derivative financial instruments

Forward exchange contracts and cross currency swap contracts for hedging purposes are recorded at the spot rate on the contract date. The foreign-currency amount of each contract multiplied by the difference between the spot rate and the contracted forward rate is amortized over the contract period. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement. For cross currency swap contracts entered into as hedges of interest rate exposures, the related interest income and expense are recognized on the basis of contracted interest rates.

At year-end, the balances of forward exchange receivables or payables are translated based on prevailing exchange rates and the resulting gains or losses are credited or charged to income. The net forward contract receivable or payable is presented either as an asset or a liability in the balance sheet.

3. CASH	As of 31st December	
	1999	1998
Time deposits	\$11,834,301	\$ 4,304,739
Demand deposits	77,503	20,742
Checking accounts	642	465
Cash on hand	<u>320</u>	<u>270</u>
	<u>\$11,912,766</u>	<u>\$ 4,326,216</u>

4. SHORT-TERM INVESTMENTS

	<u>As of 31st December</u>	
	<u>1999</u>	<u>1998</u>
Mutual funds	\$ 142,969	\$ 96,600
Listed common stocks	<u>-</u>	<u>28,060</u>
	142,969	124,660
Allowance for decline in value	<u>-</u>	<u>(1,947)</u>
	142,969	122,713
Bonds purchased under agreements to resell	<u>599,962</u>	<u>941,882</u>
	<u>\$ 742,931</u>	<u>\$ 1,064,595</u>

The market values of funds and stocks as of 31st December, 1999 and 1998 were \$152,398 and \$122,713, respectively, based on net asset value of funds as of 31st December and average closing price of listed stocks in December.

Bonds as of 31st December, 1999 were contracted to be resold for \$601,592 by 20th January, 2000.

5. INVENTORIES

	<u>As of 31st December</u>	
	<u>1999</u>	<u>1998</u>
Finished goods	\$ 76,550	\$ 126,424
Work in process	1,280,347	787,605
Materials	<u>493,850</u>	<u>275,574</u>
	1,850,747	1,189,603
Allowance for losses	<u>(31,201)</u>	<u>(228,462)</u>
	<u>\$ 1,819,546</u>	<u>\$ 961,141</u>

6. LONG-TERM STOCK INVESTMENTS

	<u>As of 31st December</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Amount</u>	<u>Percentage of Ownership</u>
Equity method				
Li-Hsin Investment Corp.	\$ 700,271	99.75	\$ 552,186	99.75
Cost method				
MaxEdge Electronics Corp.	104,632	4.27	48,000	2.50
Powertest Technology Inc.	101,288	4.36	182,500	12.77
Venglobal Capital Fund L.P.	33,928	5.18	-	-
Omnivision Technologies Inc.	31,750	2.11	-	-
E-Tech. Inc.	25,000	2.26	25,000	2.26
Newsoft Technology Corp.	20,743	1.61	49,490	3.93
Billion of Operations Per Second, Inc.	16,175	4.55	-	-
Hsin Chu Golf Country Club	6,420	0.24	6,420	0.24
Prepayments				
Globaleate E - Commerce LLC	15,805		-	
Industrial Park Resources Recycle Corp.	-		1,250	
MaxEdge Electronics Corp.	<u>-</u>		<u>7,632</u>	
	<u>\$ 1,056,012</u>		<u>\$ 872,478</u>	

The Company and Li-Hsin Investment Corp. jointly owned 22% of the common stock of Powertest Technology Inc. in the first quarter of 1999. Accordingly, this investment was accounted for by equity method. In April 1999, Powertest Technology Inc. offered for cash subscription, however, the Company and Li-Hsin Investment Corp. did not subscribe to such shares. This has led to the joint ownership of the Company and Li-Hsin Investment Corp. immaterial to Powertest Technology Inc. Accordingly, this investment has been accounted for by cost method since April 1999.

The carrying value of investments accounted for by equity method and the related investment income and loss whether based on the investees' audited or unaudited financial statements in the same year are summarized as follows:

The total sales and total assets of Li-Hsin Investment Corp. are each less than 10% of those of the Company; accordingly, consolidated financial statements are not required to be prepared.

	For the Year Ended	
	<u>31st December</u>	
	<u>1999</u>	<u>1998</u>
Audited financial statements		
Li-Hsin Investment Corp.	\$148,085	(\$ 46,314)
Unaudited financial statements		
Powertest Technology Inc.	(4,586)	-
	<u>\$143,499</u>	<u>(\$ 46,314)</u>

7. PROPERTIES

Accumulated depreciation on properties consists of the following:

	As of 31st December	
	<u>1999</u>	<u>1998</u>
Buildings	\$ 420,581	\$ 289,799
Machinery and equipment	8,333,792	5,177,663
Research and development equipment	11,074	7,295
Facility equipment	2,071,723	1,335,891
Transportation equipment	5,683	4,275
Office equipment	60,521	42,467
Miscellaneous equipment	<u>38,986</u>	<u>23,993</u>
	<u>\$10,942,360</u>	<u>\$6,881,383</u>

- a. Depreciation in 1999 and 1998 were \$4,083,448 and \$3,475,019, respectively.
- b. Refer to Note 16 for assets pledged as collateral.

8. DEFERRED CHARGES - NET	As of 31st December	
	1999	1998
Technical know-how	\$2,898,709	\$2,794,860
Computer software system	231,395	369,120
Test-run costs	111,161	174,682
Technical service charge	89,836	138,421
Others	<u>145,770</u>	<u>150,670</u>
	<u>\$3,476,871</u>	<u>\$3,627,753</u>

As of 31st December, 1999, the Company has several agreements under which Mitsubishi Electric Corporation (Mitsubishi (Japan)) shall transfer certain technologies in manufacturing Dynamic Random Access Memory to the Company for which Mitsubishi (Japan) shall receive technical know-how fees aggregating approximately ¥253.8 billion, payable in installments. As of 31st December, 1999, \$5,029,606 (¥193.8 billion) of such fees has been paid.

9. SHORT-TERM BANK BORROWINGS

- a. Short-term bank borrowings consist of loans for working capital purpose and usance letters of credit. The balances as of 31st December, 1999 and 1998 are payable by January and June of the following years and bear interest rates ranging from 5.60% to 6.016% and from 0.8668% to 8.46%, respectively.
- b. Refer to Note 16 for assets pledged as collateral.

10. SHORT-TERM BILLS PAYABLE	As of 31st December	
	1999	1998
Commercial paper	\$350,000	\$400,000
Unamortized discount	(<u>1,003</u>)	(<u>10,227</u>)
	<u>\$348,997</u>	<u>\$389,773</u>
Interest rate	5.74%-6.3%	6.59%-7.12%
Last due date	18th February, 2000	15th June, 1999

The issuance of foregoing short-term bills was guaranteed by financial institutions.

11. LONG-TERM BANK LOANS	As of 31st December	
	1999	1998
Long-term secured syndicated loans		
New Taiwan dollars	\$2,231,806	\$3,030,512
Japanese yen - ¥6,750,000 in 1999 and ¥9,450,000 in 1998	2,069,550	2,655,450

(Forward)		
U.S. dollars - US\$70,588 in 1999 and US\$117,647 in 1998	\$ 2,216,120	\$ 3,790,122
Medium to long-term loans		
New Taiwan dollars	2,572,279	2,751,934
Japanese yen - ¥ 1,176,332 in 1999 and ¥ 1,509,654 in 1998	360,663	424,213
U.S. dollars - US\$9,092 in 1999 and US\$12,087 in 1998	<u>285,428</u>	<u>389,394</u>
	9,735,846	13,041,625
Less: Current portion due within one year	(<u>4,131,704</u>)	(<u>3,603,276</u>)
	<u>\$ 5,604,142</u>	<u>\$ 9,438,349</u>

The loans are due in quarterly or semi-annual installments of varying amounts to be fully repaid by November 2003, bearing interest rate ranging from 1.05% to 8.56% in 1999 and from 1.32% to 8.82% in 1998, respectively.

The long-term secured loans obtained from a syndicate of banks led by Chiao Tung Bank were used to finance the construction of the 8 - inch DRAM wafer fabrication factory.

The loan agreements revised in September 1999 require, among others:

- a. The maintenance by the Company of a liability ratio (liability/net assets) of under 120%, a current ratio of over 100%, interest coverage of over 300% in 1999 and interest coverage of over 400% in 2000 and onwards. If the Company fails to meet these ratios, it shall improve its financial position by issuing capital stock for cash within six months, in order to meet such ratios.
- b. Any significant investment projects, changes in business/ organization, or sale/ transfer of major assets, requiring the approval by the board of directors, shall be agreed by the bank syndicate in advance.
- c. Refer to Note 16 for assets pledged as collateral.

12. PENSION PLAN

Certain pension information is as follows:

	<u>For the Years Ended</u> <u>31st December</u>	
	<u>1999</u>	<u>1998</u>
a. Pension cost		
Service cost	\$ 17,330	\$ 17,970
Interest cost	3,232	2,611
Projected return on plan assets	(3,011)	(1,785)
Amortization	<u>71</u>	<u>488</u>
	<u>\$ 17,622</u>	<u>\$ 19,284</u>

Pension cost for 1999 and 1998 was \$17,622 and \$19,284, respectively.

	<u>31st December</u>	
	<u>1999</u>	<u>1998</u>
b. Reconciliation of the fund status of the plan and accrued pension cost		
Benefit obligations		
Vested benefit obligation	\$ -	\$ -
Unvested benefit obligation	<u>16,304</u>	<u>12,027</u>
Accumulated benefit obligation	16,304	12,027
Effect of salary increase	<u>43,127</u>	<u>34,139</u>
Projected benefit obligation	59,431	46,166
Fair value of plan assets (including projected interest)	(<u>52,242</u>)	(<u>34,514</u>)
Funded status	7,189	11,652
Unrecognized prior service cost	-	-
Unrecognized net transition obligation	(11,494)	(12,019)
Unrecognized net gain	22,694	16,346
Additional liability	<u>-</u>	<u>-</u>
Accrued pension cost	<u>\$ 18,389</u>	<u>\$ 15,979</u>
c. Vested benefit	<u>\$ -</u>	<u>\$ -</u>
d. Actuarial assumptions		
Discount rate used in determining present values	6.5%	7%
Future salary increase rate	6.5%	7%
Expected rate of return on plan assets	6.5%	7%
e. Pension fund, end of year	<u>\$ 49,377</u>	<u>\$ 32,433</u>

13. STOCKHOLDERS' EQUITY

The Company's Articles of Incorporation provide that the annual net income, after offsetting against any deficit, shall be appropriated as follows:

- a. 10% as legal reserve;
- b. Dividends of not more than 10% of capital;
- c. Cash dividends and bonus to preferred stocks based on the terms of their issuance;
- d. Remuneration to directors and supervisors, and bonus to employees, equal to 3% and 10% of the remainder, respectively;
- e. The remainder, as bonus to stockholders.

Under the Integrated Income Tax System which became effective on 1st January, 1998, non-corporate resident stockholders are allowed a tax credit for the income tax paid by the Company on earnings generated in 1998 and onwards. An Imputation Credit Account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each stockholder except Non-ROC holders. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of dividends distribution.

At the extraordinary stockholders meeting held on 12th October, 1999, the stockholders resolved to transfer \$4,741,900 of paid-in capital in excess of par value to offset deficit as of the end of 1998.

14. INCOME TAX BENEFIT	For the Years Ended	
	31st December	
	1999	1998
Income tax currently payable	\$ -	\$ -
Net change in deferred income tax assets and liabilities	5,350	436,503
Tax on interest income on short-term bills	(122)	(421)
Income tax benefit	<u>\$ 5,228</u>	<u>\$ 436,082</u>

Net deferred income tax assets (liabilities) as of 31st December, 1999 and 1998 are as follows:

	As of 31st December	
	1999	1998
Deferred income tax assets - current		
Temporary difference allocated to inventories	\$ 39,868	\$ -
Provision for loss on inventories	6,240	47,457
Other	<u>8,505</u>	<u>-</u>
	<u>\$ 54,613</u>	<u>\$ 47,457</u>
Deferred income tax assets - non-current		
Tax credits	\$ 2,590,116	\$ 2,248,681
Loss carryforwards	2,098,468	1,783,107
Other	12,266	42,940
Deferred income tax liabilities		
Depreciation	(923,079)	(598,448)
Unrealized foreign exchange gain	(24,542)	(13,125)
Other	<u>(2,190)</u>	<u>-</u>
	<u>3,751,039</u>	<u>3,463,155</u>
Valuation allowance	(<u>1,971,811</u>)	(<u>1,682,121</u>)
	<u>\$ 1,779,228</u>	<u>\$ 1,781,034</u>

The related information under the Integrated Income Tax System is as follows:

	<u>1999</u>	<u>1998</u>
Year-end balance of stockholders' imputed tax credits	\$ <u>601</u>	\$ <u>421</u>

The 1999's estimated ratio of imputed tax credit to unappropriated earnings is 0.1%. The tax credits for which the Company can distribute to its stockholders are calculated based on the ratio of imputed tax credit to unappropriated earnings on the date of dividends distribution. Accordingly, the 1999's estimated ratio might be different from the actual ratio in appropriation.

As of 31st December, 1999, the unused tax credits, mainly pertaining to investment in machinery and equipment, research and development expenditures and professional personnel training expenditures, and unused loss carryforwards are as follows:

<u>Year of Expiry</u>	<u>Tax Credit</u>	<u>Tax Impact of Loss Carryforwards</u>
2000	\$ 1,348,796	\$ 666
2001	397,479	268,985
2002	447,397	209,300
2003	396,444	1,365,153
2004	<u>-</u>	<u>254,364</u>
	<u>\$ 2,590,116</u>	<u>\$ 2,098,468</u>

Income tax returns through 1996 have been examined by the tax authorities.

15. RELATED PARTY TRANSACTIONS

a. Related parties:	<u>Relationship</u>
Powertest Technology Inc. (Powertest)	The Company is its director
UMAX Data Systems Inc. (UMAX)	Same chairman
Mira Technology Inc. (Mira)	Same chairman (until 9th December, 1998)
Kanematsu Corporation (Kanematsu)	Director (until 30th July, 1999)
Mitsubishi Electric Corp. [(Mitsubishi (Japan))]	Director
Vanguard International Semiconductor Corporation (Vanguard)	Director
Mitsubishi Electric Taiwan Company (Mitsubishi (Taiwan))	Subsidiary of Mitsubishi (Japan)

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

	1999		1998	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
1) Net sales				
Mitsubishi (Taiwan)	\$7,019,969	65	\$5,372,059	80
Mira	2,524,111	25	360,614	5
UMAX	53,722	-	312,461	5
Vanguard	56,111	-	-	-
Powertest	<u>440</u>	<u>-</u>	<u>17,627</u>	<u>-</u>
	<u>\$9,654,353</u>	<u>90</u>	<u>\$6,062,761</u>	<u>90</u>
2) Purchases				
Mitsubishi (Taiwan)	\$ 781,974	35	\$ 903,366	43
Mitsubishi (Japan)	13,210	1	17,495	1
Kanematsu	11,635	-	13,754	1
Other	<u>3,323</u>	<u>-</u>	<u>63</u>	<u>-</u>
	<u>\$ 810,142</u>	<u>36</u>	<u>\$ 934,678</u>	<u>45</u>
3) Properties				
Kanematsu	\$ 657,884	17	\$ 485,073	12
Mitsubishi (Taiwan)	33,900	1	78,190	2
Mitsubishi (Japan)	<u>3,395</u>	<u>-</u>	<u>74,513</u>	<u>2</u>
	<u>\$ 695,179</u>	<u>18</u>	<u>\$ 637,776</u>	<u>16</u>
4) Technical know-how and royalty				
Mitsubishi (Japan)	<u>\$1,199,109</u>	<u>90</u>	<u>\$1,883,227</u>	<u>100</u>
5) Manufacturing expenses – sub-contract costs, indirect materials, expensed properties, repairs and maintenance, etc.				
Powertest	\$ 179,126	2	\$ 169,525	3
Mitsubishi (Japan)	75,621	1	30,431	-
Other	<u>4,688</u>	<u>-</u>	<u>4,011</u>	<u>-</u>
	<u>\$ 259,435</u>	<u>3</u>	<u>\$ 203,967</u>	<u>3</u>
6) Research and development expenses – masks, indirect material, professional service charges and training expenses, etc.				
Mitsubishi (Japan)	\$ 21,244	2	\$ 6,165	1
Other	<u>9,485</u>	<u>-</u>	<u>144</u>	<u>-</u>
	<u>\$ 30,729</u>	<u>2</u>	<u>\$ 6,309</u>	<u>1</u>

(Forward)

7) Deferred charges – computer software system, etc.				
Mitsubishi (Japan)	\$ 9,143	1	\$ 189,626	9
Kanematsu	<u>119</u>	<u>-</u>	<u>32,630</u>	<u>1</u>
	<u>\$ 9,262</u>	<u>1</u>	<u>\$ 222,256</u>	<u>10</u>
8) Spare parts				
Kanematsu	\$ 19,871	6	\$ 29,510	12
Other	<u>6,810</u>	<u>2</u>	<u>8,314</u>	<u>3</u>
	<u>\$ 26,681</u>	<u>8</u>	<u>\$ 37,824</u>	<u>15</u>
<u>At end of year</u>				
1) Notes and accounts receivable - net				
Mitsubishi (Taiwan)	\$ 1,118,390	60	\$ 925,371	67
Mira	608,836	33	60,715	4
Vanguard	6,182	-	-	-
UMAX	<u>-</u>	<u>-</u>	<u>239,499</u>	<u>17</u>
	<u>\$ 1,733,408</u>	<u>93</u>	<u>\$ 1,225,585</u>	<u>88</u>
2) Accounts payable				
Mitsubishi (Taiwan)	\$ 102,063	12	\$ 148,114	25
Mitsubishi (Japan)	43,987	5	-	-
Powertest	13,048	2	66,292	11
Other	<u>2,654</u>	<u>-</u>	<u>6,583</u>	<u>1</u>
	<u>\$ 161,752</u>	<u>19</u>	<u>\$ 220,989</u>	<u>37</u>
3) Payable on equipment				
Kanematsu	\$ 496,931	24	\$ 215,651	37
Mitsubishi (Japan)	<u>276</u>	<u>-</u>	<u>11,827</u>	<u>2</u>
	<u>\$ 497,207</u>	<u>24</u>	<u>\$ 227,478</u>	<u>39</u>

The Company purchased the following long-term stock investments from UMAX in 1999 and 1998:

<u>Investee</u>	<u>Shares (In Thousand)</u>	<u>Amount</u>
<u>1999</u>		
Venglobal Capital Fund L.P.	-	\$ 37,364
Billion of Operations Per Second, Inc.	833	<u>16,175</u>
		<u>\$ 53,539</u>
<u>1998</u>		
Powercest Technology Inc.	4,420	\$ 61,300
Newsoft Technology Inc.	1,414	49,490
NaxEdge Electronics Corp.	3,000	<u>48,000</u>
		<u>\$ 158,790</u>

Under a purchase agreement entered into in October 1996, the Company shall sell DRAM bearing Mitsubishi brand to Mitsubishi (Japan) through Mitsubishi (Taiwan) within the term of the agreement.

Except for the transactions with Mitsubishi (Taiwan), which have no comparable parties, all transactions with other related parties are conducted based on normal commercial prices and terms.

16. PLEDGED OR MORTGAGED ASSETS

The following assets are pledged or mortgaged as collateral for short-term and long-term bank loans, usance letters of credit and bonded inventories:

	<u>As of 31st December</u>	
	<u>1999</u>	<u>1998</u>
Properties - net	\$13,435,347	\$16,650,544
Time deposits	<u>95,362</u>	<u>293,821</u>
	<u>\$13,530,709</u>	<u>\$16,944,365</u>

17. COMMITMENTS AND CONTINGENCIES

- a. Under a patent license agreement with Texas Instruments Inc. executed in February 1999, the Company shall pay royalty for ten years from 1st January, 1998 at an agreed percentage of the sale price of the licensed products.
- b. Under a patent license agreement with International Business Machines executed in September 1998, the Company shall pay a specific amount of royalty annually for five years from 1998.
- c. Under several license and technology transfer agreements, executed or amended in June, August and October 1999, respectively, with Mitsubishi (Japan), the Company shall pay royalties at agreed percentages of the sale price of certain specific licensed products starting from June 1998, August 1999 and June 1998.
- d. A nonpayment litigation was brought by Asea Brown Boveri Ltd. (ABB), against the Company in October 1998 at the district court of Hsinchu, Taiwan. On 17th August, 1999, the judgment was granted in favor of the Company, however, ABB has appealed to the high court in September 1999. The Company believes that this litigation shall have no material impact to the Company.
- e. In 1998, Micron Technology, Inc., a U.S. IC manufacturer, filed an anti-dumping petition of 1Mb and 1Mb above DRAM against Taiwanese DRAM manufactures with the U.S. International Trade Commission. On 19th November, 1999, the final trial concluded by U.S. International Trade Commission that Taiwanese DRAM manufacturers shall not cause damage to the U.S. market again, and canceled the dumping margin rate imposed. However, on 7th January, 2000, Micron Technology, Inc. appealed to the U.S. International Trade Commission to

the U.S. Court of International Trade. The impact to the Company depends on the final judgement.

- f. A litigation was brought by G-Link Technology Corporation (G-Link) in May 1999, against the Company for returning the sales price and damages. The case is on trial at the district court of Hsinchu, Taiwan. The Company believes that this litigation shall have no material impact to the Company.
- g. Unused letters of credit of about US\$8,819 and ¥1,508,911 as of 31st December, 1999.
- h. The Company has two pieces of land leased from the Science-Based Industrial Park Administration for twenty years from April 1995 and October 1998, respectively, renewable upon expiration. The current minimum annual rental is \$40,343; however, the Science-Based Industrial Park Administration may adjust the rental rate according to its rule.
- i. Under a land purchase agreement executed on 3rd December, 1999 and amended on 10th January, 2000 with Fu Shen Investment Corp., the Company shall purchase certain portion of a piece of land located at Hsin-Pu town, Hsinchu, for \$311,510. The land will be planned for building employee's dormitory. As of 31st December, 1999, the Company has prepaid \$60,835.

18. LOSS FROM EARTHQUAKE

The Company's damage arising from the earthquake on 21st September, 1999 consists mainly of damaged or destroyed inventories, parts used in equipment and losses due to temporary business interruption. The relevant damage on properties and losses of business interruption is estimated to be approximate \$60,361 after deducting insurance coverage projected.

19. DERIVATIVE FINANCIAL INSTRUMENTS

- a. Outstanding contracts as of 31st December, 1999 and 1998, and credit risk:

Items	1999		1998	
	Contract Amount (Nominal Amount)	Credit Risk	Contract Amount (Nominal Amount)	Credit Risk
Cross currency swap	¥ 900,000 (JP ¥ to US\$) floating ¥ interest rate swap for fixed US\$ interest rate of 6.23%	NT\$ 58,590	¥ 2,700,000 (JP ¥ to US\$) floating ¥ interest rate swap for fixed US\$ interest rate of 6.23%	NT\$ 89,598

(Forward)

	US\$27,000 (US\$ to NT\$) floating US\$ interest rate swap for fixed NT\$ interest rate from 6.7% to 6.95%	NT\$	-	US\$12,000 (US\$ to NT\$) floating US\$ interest rate swap for fixed NT\$ interest rate of 6.7%	NT\$	-
	US\$90,000 (US\$ to NT\$) NT\$ interest rate from 5.7% to 5.83% for US\$ interest rate of 6.3%		29,850	-		-
Forward exchange contracts	USD41,000 (NT\$ to US\$)		13,294	¥ 1,500,000 (¥ to US\$)		31,144

The Company will be exposed to credit risk in the event of nonperformance of forward contracts by the counterparties on maturity. In order to minimize this risk, the Company transacts only with financial institutions with good credit ratings. Thus, no material losses from the above are anticipated.

- b. Market risk - The Company entered into cross currency swap and forward exchange contracts to hedge the effect of interest rate or foreign currency fluctuation on its net foreign currency-denominated assets or liabilities. Thus, gain or loss arising from exchange rate and interest rate fluctuations will approximately be offset by those hedged items. The potential market risk is insignificant.
- c. Liquidity risk, cash flow risk and uncertainty of amount and term of future cash demand

The future cash demand of outstanding forward contracts as of 31st December 1999 is as follow:

Term	Forward Exchange Contracts		Cross Currency Swap	
	Inflow	Outflow	Inflow	Outflow
Within one year	NT\$ 1,295,420	US\$ 41,000	¥ 900,000	US\$ 6,923
			US\$ 9,000	NT\$ 291,030
			NT\$ 2,855,400	US\$ 90,000
1 - 2 years			US\$ 9,000	NT\$ 291,030
2 - 3 years			US\$ 9,000	NT\$ 291,030

The Company has sufficient operating capital to meet the above cash demand, and the exchange rate of cross currency swap and that of forward exchange contracts have been fixed, so there is no material fund raising risk and cash flow risk.

d. Kinds and purpose of derivative financial instruments held and related strategies

The Company contracted or entered into the derivative financial transactions, completely for hedging purpose other than trading. The Company entered into forward contracts to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The purpose of hedging strategies is to hedge market risk the Company is exposed to. The Company has designated hedging instruments as high correlations with the fair value of the hedged item and periodically evaluates the effectiveness of the instruments.

e. Other information

The realized exchange gains or losses derived from settled cross currency swap and forward exchange contracts are gains of \$77,434 in 1999 and losses of \$277,273 in 1998 under non-operating income or expense; and net receivables of \$73,249 and of \$115,711 as of 31st December, 1999 and 1998, respectively, generated from cross currency swap and forward exchange contracts are accounted under current assets.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments are presented in Exhibit A.

The methods and assumptions applied in estimating fair values are as follows:

- a. The carrying amounts reported in the balance sheets for cash, notes and accounts receivable, interest receivable, pledged time deposits, accounts payable, payable on equipment, interest payable, short-term bank borrowings and bills payable approximate their fair values.
- b. Fair value of short-term and long-term investments, except bonds purchased under agreements to resell, is based on quoted market prices or, if quoted market prices are unavailable, upon net worth or book value. Bonds purchased under agreements to resell are based on contracted resell price.
- c. Fair value of long-term bank loans is estimated using discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar types (similar maturity dates) of borrowings. The fair value of long-term bank loans of the Company all bearing floating interest rates is equivalent to their book value.
- d. Fair value of refundable deposits and refundable deposits received are based on their book value.
- f. Fair value of derivative financial instruments is the estimated net receivable or payable if those contracts are terminated on the balance sheet date.

21. SEGMENT INFORMATION

- a. The Company is only engaged in the manufacture and sale of semi-conductor products.
- b. The Company operates only in the Republic of China.
- c. Export sales: None.
- d. Customers accounting for more than 10% of net sales:

	<u>For the years Ended 31st December</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>
Mitsubishi (Taiwan)	\$7,019,969	65	\$5,372,059	80
Mira	2,524,111	25	360,614	5

POWERCHIP SEMICONDUCTOR CORPORATION

FAIR VALUE OF FINANCIAL INSTRUMENTS

	<u>31st December, 1999</u>		<u>31st December, 1998</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Non-derivative instruments</u>				
Assets				
Cash	\$ 11,912,766	\$ 11,912,766	\$ 4,326,216	\$ 4,326,216
Notes and accounts receivable	1,858,669	1,858,669	1,387,666	1,387,666
Short-term and long-term investments	1,798,943	1,755,408	1,936,649	1,838,038
Interest receivable	98,394	98,394	34,111	34,111
Pledged time deposits	95,362	95,362	293,821	293,821
Refundable deposits	18,014	18,014	10,551	10,551
Liabilities				
Short-term bank borrowings and bills payable	448,997	448,997	877,010	877,010
Accounts payable and payable on equipment	2,942,267	2,942,267	1,179,169	1,179,169
Interest payable	94,194	94,194	89,492	89,492
Long-term bank loans (including current portion)	9,735,846	9,735,846	13,041,625	13,041,625
Refundable deposits received	4,672	4,672	596,000	596,000
<u>Derivative Instruments</u>				
Cross currency swap	63,015	63,015	85,830	85,830
Forward exchange contracts	8,225	8,225	28,908	28,908