

# 1999 ANNUAL REPORT

## FINANCIAL REVIEW

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BRIEF BALANCE SHEET

IN THOUSAND NTD	1999	1998	1997	1996	1995
Current assets	20,549,107	33,964,353	29,820,936	26,079,437	19,672,466
Fixed assets	36,728,053	25,386,540	23,503,948	22,057,420	16,781,041
Other assets	2,276,396	2,218,142	2,463,861	1,765,527	634,878
Current liabilities					
Before distribution	17,190,521	8,384,035	8,818,905	6,996,309	5,926,158
After distribution	—	8,419,075	8,905,573	7,099,153	6,068,733
Long-term liabilities	9,147,685	18,765,061	11,461,861	13,010,993	10,082,662
Capital	66,549,966	55,418,013	41,344,647	29,344,798	13,438,024
Capital reserve	36,836,033	12,869,484	12,439,900	5,804,143	2,209,416
Retained earnings					
Before distribution	15,709,863	8,591,256	12,830,383	11,357,159	16,217,848
After distribution	—	5,533,967	4,204,732	3,200,691	3,705,815
Total assets	146,139,041	104,037,448	87,385,205	66,638,344	47,875,521
Total liabilities					
Before distribution	26,827,393	27,500,699	20,622,336	20,130,644	16,009,359
After distribution	—	27,535,739	20,709,004	20,233,488	16,151,934
Total equity					
Before distribution	119,311,648	76,536,749	66,762,869	46,507,700	31,866,162
After distribution	—	76,501,709	66,676,201	46,404,856	31,723,587

BRIEF STATEMENT OF INCOME

IN THOUSAND NTD	1999	1998	1997	1996	1995
Operating revenues	29,147,056	18,431,602	25,088,995	22,605,652	24,246,913
Gross profit	9,831,988	4,099,729	7,556,340	9,634,492	15,744,997
Operating income	5,521,394	392,231	3,586,394	6,119,221	12,402,936
Interest income	778,966	1,863,116	948,149	767,655	695,679
Interest expense	989,357	1,647,177	951,196	901,398	297,579
Income (loss) before tax	10,525,664	3,955,262	9,858,274	7,190,211	12,747,181
Net income (loss)	10,497,892	4,407,021	9,739,552	7,646,896	13,440,682
Primary earnings per share (NTD)	—	—	—	1.42	2.50
Fully diluted earnings per share (NTD)	—	—	—	1.34	2.43
Simple earnings per share (NTD)	1.60	0.70	1.66	—	—

Note: Earnings per share are based on retroactively adjusted outstanding common stock.

MARKET PRICE, NET WORTH, EARNINGS AND DIVIDENDS PER SHARE

IN NTD	1999	1998	1997
Average market price per share			
Common stock	67.45	51.81	79.33
Preferred stock	—	—	72.36
Net worth per share	17.93	13.81	16.15
Primary earnings per share	—	—	—
Fully diluted earnings per share	—	—	—
Simple earnings per share	1.60	0.70	1.66
Dividends per share			
Cash dividends	—	—	—
Stock dividends - Retained earnings	—	0.50	1.90
Stock from capital reserve allocation	—	1.00	1.00

AUDITORS’ OPINION

Year	CPA	Auditors’ opinion
1995	Albert Hsueh, James Tsai	Note 1
1996	Albert Hsueh, James Tsai	Note 2
1997	Albert Hsueh, James Tsai	An unqualified opinion
1998	Albert Hsueh, James Tsai	An unqualified opinion
1999	Albert Hsueh, James Tsai	An unqualified opinion


Note 1: The auditors issued an unqualified opinion on the 1995 financial statements, except for the inconsistency in accounting principle applied arising from the adoption of R.O.C. GAAP No.22 for income tax beginning 1995. The auditors also consented to this change in accounting principle.


Note 2: The auditors issued an unqualified opinion on the 1996 financial statements, except for the inconsistency in accounting principle applied arising from the adoption of R.O.C. GAAP No.18 for pensions beginning 1996. The auditors also consented to this change in accounting principle.


SUPERVISORS' REPORT OF UNITED MICROELECTRONICS CORPORATION

The Board of Directors has prepared and submitted to us the Company’s 1999 balance sheets, statements of income, changes in stockholders’ equity, cash flows and principal property. These statements have been audited by PricewaterhouseCoopers. 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.

United Microelectronics Corporation

Supervisors: Felix S.T. Chen 

Ming-Jan Chen 

Eric C.Y. Huang 

February 11, 2000

## FINANCIAL ANALYSIS

	1999	1998	1997	1996	1995
Capital structure analysis (%)					
Debt ratio	18.36	26.43	23.60	30.21	33.44
Long-term funds to fixed assets	349.76	375.40	332.82	269.84	249.98
Liquidity analysis (%)					
Current ratio	120	405.11	338.15	372.76	331.96
Quick ratio	105	365.74	305.98	311.51	278.33
Interest guarantee (times)	11.64	3.03	11.36	7.70	27.13
Operating performance analysis					
Average collection turnover (times)	6.91	4.81	6.46	6.73	8.02
Average collection days	53	76	57	54	45
Average inventory turnover (times)	6.17	4.51	4.89	3.46	3.89
Average inventory turnover days	59	81	75	105	93
Fixed assets turnover (times)	0.94	0.75	1.10	1.16	1.44
Total assets turnover (times)	0.23	0.19	0.33	0.39	0.51
Return on investment analysis (%)					
Return on total assets	9.0	6.33	13.87	14.93	36.12
Return on equity	11.0	6.15	17.20	19.51	52.70
Operating income to capital	8.0	0.71	8.67	20.90	93.17
Income before tax to capital	16.0	7.14	23.84	24.56	94.86
Net income to sales	36.0	23.91	38.82	33.83	55.43
Primary earnings per share (NTD)	—	—	—	1.42	2.50
Fully diluted earnings per share (NTD)	—	—	—	1.34	2.43
Simple earnings per share (NTD)	1.60	0.70	1.66	—	—
Cash flow (%)					
Cash flow ratio	592	91.22	114.98	142.40	194.13
Cash flow adequacy ratio	105.81	118.22	119.20	112.76	122.11
Cash flow reinvestment ratio	6.87	6.87	11.23	14.35	22.53
Degree					
Degree of operating leverage	4.58	24.54	7.00	2.04	1.39
Degree of financial leverage	1.22	(0.31)	1.36	1.17	1.04

REVIEW AND ANALYSIS OF FINANCIAL STATUS  
AND OPERATING RESULTS

LIQUIDITY ANALYSIS

	December 31,	1999	1998	Change %
Cash flow ratio		592	91.22	548.98
Cash flow adequacy ratio		105.81	118.22	(10.50)
Cash flow reinvestment ratio		6.87	6.87	—

ANALYSIS OF OPERATING RESULTS

IN THOUSAND NTD	1999	1998	Change Amt.	Change %
Operating revenues	29,686,236	19,530,574	10,155,662	52.00
Less: Sales return and allowance	(539,180)	(1,098,972)	559,792	(50.94)
Net operating revenues	29,147,056	18,431,602	10,715,454	58.14
Operating cost	(19,025,553)	(14,290,795)	(4,734,758)	33.13
Gross profit	10,121,503	4,140,807	5,980,696	144.43
Add: Realized gross profit	94,252	53,174	41,078	77.25
Less: Unrealized gross profit	(383,767)	(94,252)	(289,515)	307.17
Net gross profit	9,831,988	4,099,729	5,732,259	139.82
Operating expenses	(4,310,594)	(3,707,498)	(603,096)	16.27
Operating income	5,521,394	392,231	5,129,163	1307.69
Non-operating income	7,253,604	6,245,264	1,008,340	16.15
Interest income	778,966	1,863,116	(1,084,150)	(58.19)
Other income	6,474,638	4,382,148	2,092,490	47.75
Non-operating expenses	(2,249,334)	(2,682,233)	432,899	(16.14)
Interest expenses	(989,357)	(1,647,177)	657,820	(39.94)
Other loss	(1,259,977)	(1,035,056)	(224,921)	21.73
Income before tax	10,525,664	3,955,262	6,570,402	166.12
Income tax benefit (expense)	(27,772)	451,759	(479,531)	(106.15)
Net income	10,497,892	4,407,201	6,090,691	138.20

## REPORT OF INDEPENDENT ACCOUNTANTS AND FINANCIAL STATEMENTS

February 5, 2000

(99).B U11P.5534

### TO UNITED MICROELECTRONICS CORPORATION

We have audited the accompanying balance sheet of United Microelectronics Corporation as of December 31, 1999 and 1998, and the related statements of operations, of shareholders' equity and of 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. As described in Note 4(5) to the financial statements, certain long-term investments were accounted for under the equity method based on the 1999 and 1998 financial statements of the investees, which were audited by other certified public accountants. Our opinion insofar as it relates to the investment income amounting to \$4,399,711,000 and \$1,089,348,000 during the years ended December 31, 1999 and 1998, respectively, and the related long-term investment balances of \$64,887,689,000 and \$27,004,086,000 as of December 31, 1999 and 1998, respectively, which were included in the financial statements, is based solely on the reports of the other certified public accountants.

We conducted our audit in accordance with "Rules Governing Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the other certified public accountants' audit reports, the financial statements referred to in the first paragraph above audited by us present fairly, in all material respects, the financial position of United Microelectronics Corporation as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles and the Rules Governing Preparation of Financial Statements of Securities Issuer in the Republic of China.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China may differ from those generally accepted in countries other than the Republic of China.

*PricewaterhouseCoopers*

## BALANCE SHEET

December 31, 1999 and 1998

IN THOUSAND NTD	December 31,	1999	1998
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 4(1))	\$	11,083,601	\$ 25,251,034
Marketable securities (Note 4(2))		339,375	880,520
Notes receivable			
- nonrelated parties		144,663	115,493
- related parties		156,984	252,401
Accounts receivable (Notes 4(3) and 5)			
- nonrelated parties		1,549,355	890,725
- related parties		3,154,394	1,933,010
Other receivables (Notes 4 (13) and 5)			
- nonrelated parties		622,674	310,465
- related parties		555,084	346,254
Inventories (Note 4(4))		2,369,376	3,119,977
Prepaid expenses		111,989	180,661
Other current assets (Note 4(13))		461,612	683,813
		20,549,107	33,964,353
<b>Funds and Long-term Investments (Notes 4(5) and 5)</b>			
Long-term investments		85,904,933	42,895,561
Prepaid long-term investments		1,000,000	3,983
Allowance for loss on decline in long-term investments		(319,448)	(443,534)
		86,585,485	42,456,010
<b>Property, Plant and Equipment (Notes 4(6), 5 and 6)</b>			
Cost			
Land		1,324,223	784,070
Buildings		6,262,274	5,083,988
Machinery and equipment		39,741,957	32,100,086
Transportation equipment		33,518	36,191
Furniture and fixtures		733,041	653,039
Leasehold improvements		42,131	64,849
		48,137,144	38,722,223
Accumulated depreciation		(19,302,254)	(15,641,368)
Construction in progress and prepayments		7,893,163	2,305,685
		36,728,053	25,386,540
<b>Intangible Assets</b>			
Trademarks		—	986
Patents		—	11,417
		—	12,403
<b>Other Assets</b>			
Leased assets		156,758	389,078
Idle assets		26,917	5,000
Deposits out		8,714	17,859
Deferred assets		265,369	262,162
Deferred income tax assets (Note 4(13))		1,728,418	1,451,324
Others		90,220	92,719
		2,276,396	2,218,142
<b>TOTAL ASSETS</b>	\$	146,139,041	\$ 104,037,448



## BALANCE SHEET

IN THOUSAND NTD	December 31,	1999	1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term loans (Notes 4(7))	\$	6,639,765	\$ 1,075,562
Accounts payable			
- nonrelated parties		2,089,125	1,775,524
- related parties (Note 5)		396,440	932,524
Accrued income tax payable (Note 4(13))		12,377	—
Accrued expenses		1,051,815	954,484
Other payables		4,206,999	1,094,564
Current portion of long-term loans (Notes 4(9) and 5)		2,355,555	2,436,789
Other current liabilities		438,445	114,588
		17,190,521	8,384,035
Long-term Liabilities			
Bonds payable (Note 4(8))		3,443,776	12,742,518
Long-term loans (Notes 4(9) and 5)		5,703,909	6,022,543
		9,147,685	18,765,061
Other Liabilities			
Accrued pension payable (Note 4(10))		473,932	350,745
Deposits in		519	858
Others		14,736	—
		489,187	351,603
Total Liabilities		26,827,393	27,500,699
Stockholders' Equity			
Capital (Note 4(11))			
Common stock		66,549,966	55,382,695
Certificates exchangeable for common shares		—	35,318
Capital reserve			
Premiums		14,089,776	12,417,294
Gain on disposal of property, plant and equipment		40,711	16,983
Change in equities of long-term investments		22,705,546	435,207
Retained earnings (Note 4(12))			
Legal reserve		4,579,516	4,140,512
Unappropriated earnings		11,130,347	4,450,744
Unrealized loss on long-term investments (Note 4 (5))		(319,448)	(443,534)
Cumulative translation adjustment of long-term investments (Note 4(5))		535,234	101,530
Total Stockholders' Equity		119,311,648	76,536,749
Commitments and Contingent Liabilities (Note 7)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	146,139,041	\$ 104,037,448

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

## STATEMENT OF INCOME

For the years ended December 31, 1999 and 1998

IN THOUSAND NTD (EXCEPT FOR EARNINGS PER SHARE)	1999	1998
Operating Revenues (Note 5)		
Sales revenue	\$ 27,366,933	\$ 18,404,728
Sales returns	(120,781)	(325,379)
Sales allowances	(418,399)	(773,593)
Net sales	26,827,753	17,305,756
Other operating revenues	2,319,303	1,125,846
Net operating revenues	29,147,056	18,431,602
Operating Costs (Note 5)		
Cost of goods sold	(18,316,947)	(13,846,763)
Other operating costs	(708,606)	(444,032)
	(19,025,553)	(14,290,795)
Gross Profit	10,121,503	4,140,807
Unrealized Intercompany Profit	(383,767)	(94,252)
Realized Intercompany Profit	94,252	53,174
	9,831,988	4,099,729
Operating Expenses		
Selling expenses	(241,390)	(277,539)
Administrative expenses	(1,395,061)	(1,496,244)
Research and development expenses	(2,674,143)	(1,933,715)
	(4,310,594)	(3,707,498)
Operating Income	5,521,394	392,231
Non-operating Income		
Interest income	778,966	1,863,116
Investment income (Note 4 (5))	4,748,076	2,458,029
Gain on disposal of investments (Note 5)	626,390	918,023
Other income	1,100,172	1,006,096
	7,253,604	6,245,264
Non-operating Expenses		
Interest expense (Note 5)	(989,357)	(1,647,177)
Other losses	(1,259,977)	(1,035,056)
	(2,249,334)	(2,682,233)
Income Before Income Tax	10,525,664	3,955,262
Income Tax (Expense) Benefit (Note 4 (13))	(27,772)	451,759
Net Income	\$ 10,497,892	\$ 4,407,021
Earnings Per Share		
Net income (in NTD)	\$ 1.60	\$ 0.70

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

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 1999 and 1998

IN THOUSAND NTD	Capital Stock			Retained Earnings		Unrealized Loss on Long-Term Investments	Cumulative Translation Adjustment of Long-Term Investments	Total
	Common Stock	Certificates Exchangeable for Common Shares	Capital Reserve	Legal Reserve	Unappro- priated Earnings			
1998								
Balance at January 1, 1998	\$41,344,647	\$ —	\$12,439,900	\$3,177,542	\$9,652,841	\$ —	\$147,939	\$66,762,869
Appropriation of 1997 earnings:								
Appropriation for legal reserve	—	—	—	962,970	(962,970)	—	—	—
Stock dividends	7,855,864	—	—	—	(7,855,864)	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(86,668)	—	—	(86,668)
Capitalization of employees' bonus	683,119	—	—	—	(683,119)	—	—	—
Capitalization of capital reserve	4,134,665	—	(4,134,665)	—	—	—	—	—
Net income for 1998	—	—	—	—	4,407,021	—	—	4,407,021
Transfer of gain from disposal of property, plant and equipment to capital reserve	—	—	16,983	—	(16,983)	—	—	—
Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve	—	—	1,293	—	(1,293)	—	—	—
Common stock and certificates exchange- able for common shares for the conversion of convertible bonds issued	1,364,400	35,318	4,653,079	—	—	—	—	6,052,797
Adjustment due to change in ownership of investee companies	—	—	(107,106)	—	(2,221)	—	—	(109,327)
Unrealized loss on long-term investments	—	—	—	—	—	(50,460)	—	(50,460)
Unrealized loss on long-term investments of investee companies	—	—	—	—	—	(393,074)	—	(393,074)
Cumulative translation adjustment	—	—	—	—	—	—	(46,409)	(46,409)
Balance at December 31, 1998	\$ 55,382,695	\$ 35,318	\$ 12,869,484	\$ 4,140,512	\$4,450,744	\$(443,534)	\$101,530	\$76,536,749

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

IN THOUSAND NTD	Capital Stock		Retained Earnings			Unrealized Loss on Long-Term Investments	Cumulative Translation Adjustment of Long-Term Investments	Total
	Common Stock	Certificates Exchangeable for Common Shares	Capital Reserve	Legal Reserve	Unappro- priated Earnings			
1999								
Balance at January 1, 1999	\$55,382,695	\$35,318	\$12,869,484	\$4,140,512	\$4,450,744	\$(443,534)	\$101,530	\$76,536,749
Appropriation of 1998 earnings:								
Appropriation for legal reserve	—	—	—	439,004	(439,004)	—	—	—
Stock dividends	2,780,469	—	—	—	(2,780,469)	—	—	—
Directors' and supervisors' remuneration	—	—	—	—	(35,040)	—	—	(35,040)
Capitalization of employees' bonus	241,780	—	—	—	(241,780)	—	—	—
Capitalization of capital reserve	5,560,939	—	(5,560,939)	—	—	—	—	—
Net income for 1999	—	—	—	—	10,497,892	—	—	10,497,892
Transfer of gain from disposal of property, plant and equipment to capital reserve	—	—	40,711	—	(40,711)	—	—	—
Transfer of gain from disposal of property, plant and equipment of investee company to capital reserve	—	—	454	—	(454)	—	—	—
Common stock and certificates exchangeable for common shares for the conversion of convertible bonds issued	2,584,083	(35,318)	7,216,438	—	—	—	—	9,765,203
Adjustment of capital reserve and retained earnings accounted for under equity method	—	—	22,269,885	—	(280,831)	—	—	21,989,054
Unrealized loss on long-term investments	—	—	—	—	—	(268,988)	—	(268,988)
Unrealized loss on long-term investments of investee companies	—	—	—	—	—	393,074	—	393,074
Cumulative translation adjustment	—	—	—	—	—	—	433,704	433,704
Balance at December 31, 1999	\$66,549,966	\$ —	\$36,836,033	\$4,579,516	\$11,130,347	\$(319,448)	\$535,234	\$119,311,648

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

## STATEMENT OF CASH FLOWS

For the years ended December 31, 1999 and 1998

IN THOUSAND NTD	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 10,497,892	\$ 4,407,021
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	5,228,306	4,701,417
Amortization	278,053	109,151
Provision for (reversal of provision for) bad debts expense	18,504	(67,112)
(Recovery of) unrealized loss on decline in market value of marketable securities	(163,710)	41,025
Provision for loss on obsolescence of inventories	70,785	134,748
Long-term investment income accounted for under equity method	(5,163,378)	(2,448,908)
Loss on decline in market value of long-term investments	498,412	—
Gain on disposal of investments	(626,390)	(918,023)
Loss on disposal of property, plant and equipment and idle assets	287,074	16,877
Transfer from property, plant and equipment, and idle assets to expense (revenue)	232,872	(23,533)
Exchange gain on long-term loans	(116,561)	(30,801)
Interest saving on bonds payable transferred to capital reserve	323,634	200,126
Changes in assets and liabilities		
Notes receivable	66,247	452,115
Accounts receivable	(1,898,517)	635,995
Other receivables	(523,612)	(145,135)
Inventories	679,816	(645,039)
Prepaid expenses	61,280	46,497
Deferred income tax assets	(54,893)	(410,765)
Notes payable	—	(405,288)
Accounts payable	(222,483)	987,508
Accrued income tax payable	12,377	(52,432)
Accrued expenses	97,425	(18,488)
Other current liabilities	231,028	99,686
Compensation interest payable	243,645	878,050
Accrued pension payable	123,187	103,437
Net cash provided by operating activities	\$ 10,180,993	\$ 7,648,129

## STATEMENT OF CASH FLOWS

IN THOUSAND NTD	1999	1998
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in marketable securities, net	\$ 889,147	\$ 2,080,782
Acquisition of long-term investments	(17,814,430)	(9,539,371)
Proceeds from disposal of long-term investments	1,356,172	1,322,938
Acquisition of property, plant and equipment	(14,751,631)	(6,828,769)
Proceeds from disposal of property, plant and equipment	1,025,935	208,018
Increase in deferred assets	(276,999)	(150,000)
Decrease (increase) in other assets, net	9,145	(14,900)
Net cash used in investing activities	(29,562,661)	(12,921,302)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in short-term loans, net	5,564,203	(325,675)
Proceeds from long-term loans	2,150,000	—
Repayment of long-term loans	(2,462,936)	(3,109,700)
Proceeds from bonds issued	—	15,000,000
Redemption of bonds	(1,635)	(940)
Cash payment for fraction of one share arising from bonds conversion	(18)	(10)
(Decrease) increase in deposits in, net	(339)	450
Directors' and supervisors' remuneration paid	(35,040)	(86,668)
Net cash provided by financing activities	5,214,235	11,477,457
Net (decrease) increase in cash and cash equivalents	(14,167,433)	6,204,284
Cash and cash equivalents at the beginning of year	25,251,034	19,046,750
Cash and cash equivalents at the end of year	\$ 11,083,601	\$ 25,251,034
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest (excluding interest capitalized)	\$ 432,091	\$ 520,356
Cash paid for income tax	\$ 70,287	\$ 11,438
<b>INVESTING ACTIVITIES PARTIALLY PAID BY CASH</b>		
Acquisition of property, plant and equipment	\$ 17,956,895	\$ 6,582,310
Add: payable at beginning of the year	972,802	1,219,261
Less: payable at year-end	(4,178,066)	(972,802)
Cash paid	\$ 14,751,631	\$ 6,828,769
<b>FINANCING ACTIVITIES NOT AFFECTING CASH FLOWS</b>		
Convertible bonds (at par value) converted into common stock and certificates exchangeable to common shares	\$ 8,804,994	\$ 5,864,346

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

## NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998 (In Thousand NTD)

### 1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (the Company) was incorporated as a company limited by shares in May, 1980 and commenced its operations in April, 1982. The Company's major business activity is the manufacture of semiconductor products.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Translation of foreign currency transactions

The accounts of the Company are maintained in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the rates of exchange prevailing on the transaction dates. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results.

#### Derivative financial instruments

Foreign currency swap contract amounts are translated into New Taiwan dollars using the spot rate at the date of inception of the contract. Amounts receivable and payable are calculated by using the agreed rates set in the foreign currency swap contract at each month end and translated into new Taiwan dollars using the spot rate.

#### Cash equivalents

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

#### Marketable securities

Marketable securities are recorded at cost when acquired and are stated at the lower of aggregate cost or market value at the balance sheet date. The market value of listed equity securities or closed-end funds is determined by the average closing price during the last month of the fiscal year. The market value of open-end funds is determined by their equity per share at balance sheet date.

#### Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the collectibility and aging analysis of notes and accounts receivable.

**Inventories**

Inventories, except raw materials which are recorded at actual cost, are stated at standard cost, which is adjusted to actual cost based on weighted average method at month end. Inventories are valued at the lower of cost or market value at the year end. An allowance for loss on obsolescence and decline in market value is provided when necessary.

**Long-term investments**

A. Long-term equity investments in which the Company owns less than 20% of the voting rights of the investee company and has no significant influence on operational decisions of the investee company, such investment is accounted for (a) at cost, the investee company is not listed and (b) lower of cost or market value method, the investee company is listed. The unrealized loss resulting from the decline in market value of such investment is shown as a deduction from stockholders' equity. When it becomes evidently clear that there has been a permanent impairment in value and the chance of recovery is minimal, loss is recognized in the current year's income.

Long-term investments in both listed and unlisted companies is accounted for under equity method provided that the Company owns at least 20% of the voting rights of the investee company.

The Company prepares annual financial statements on a non-consolidated basis and consolidated basis, which include all investee companies in which the Company owns more than 50% of their voting rights. However, subsidiaries with negative stockholders equity or total assets and total operating revenue for the current year, which are less than 10% of that of the Company's total non-consolidated assets and operating revenues, are not included in the consolidated financial statements. Irrespective of the above test, if the combined assets or operating revenue of all such non-consolidated subsidiaries exceed 30% of the Company's non-consolidated total assets or operating revenues, then each individual subsidiaries with total assets or operating revenues greater than 3% of the Company's respective non-consolidated total assets or operating revenue shall be consolidated.

B. Intercompany profit recognition under equity method:

Unrealized intercompany gains and losses are eliminated under the equity method. Profit from sales of depreciable assets between the investee company and the Company is amortized to income over the assets economic service lives. Profit from other types of intercompany transactions is recognized when realized. The intercompany profit elimination is presented by debiting unrealized profit in the income statement and crediting a deferred income account in the balance sheet. The difference between the Company's cost and underlying equity in the net assets of the investee company at the date of investment is amortized over 5 years.

**Property, plant and equipment**

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

B. Depreciation is provided on the straight-line method using the assets' economic service lives. Residual values of fixed assets that are still in use after the end of their original economic service lives, are depreciated over the new estimated remaining useful lives. The service lives of the fixed assets are as follows: buildings - 20 to 55 years; leasehold improvements - the lease period or economic service lives, whichever is shorter; others - 5 years.



C. Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated accordingly. When fixed assets are disposed of, their original costs and accumulated depreciation are written off and the related gain or loss on disposal is booked as non-operating income or loss. Any gain (net of income tax) is transferred to capital reserve in the current year.

D. Idle assets are reclassified to other assets and are valued at the lower of book value or net realizable value at the date of transfer. The difference between book value and net realizable value is recorded as current loss; current depreciation of idle assets is booked as non-operating expense.

#### **Deferred charges**

Deferred charges are stated at cost and amortized on a straight-line basis over the following years: convertible bonds issue costs - over the life of the bonds; design expenditures - the contract period or economic service life whichever is shorter; and software - 3 years.

#### **Pension plan**

The Company has a non-contributory and defined benefit retirement plan covering all its regular employees. This plan is separately funded.

Net periodic pension cost, which consists of service cost, interest cost, expected return on plan assets and amortization of net obligation at transition, is based on actuarial valuation.

#### **Convertible bonds**

A. When bonds are redeemed before maturity, the excess of the stated redemption price over the par value is recognized as interest expense and compensation interest payable using the effective interest method during the period from the issue date to the last day of redemption period.

B. When an investor exercises his/her conversion right, the book value of bonds is credited to common stock at an amount equal to the par value of the stock and the excess is credited to capital reserve; no gain or loss is recognized on bond conversion.

C. The related issuance costs for convertible bonds are recorded as deferred assets and are amortized over the life of the bonds.

D. For convertible bonds with redemption options, the right of redemption becomes invalid if the investor failed to exercise his/her redemption right during the redemption period. The balance of the compensation interest payable is amortized over the period from the date following the redemption period to the maturity date using the effective interest method.

#### **Income tax**

Provision for income tax includes deferred tax resulting from items reported in different periods for tax and financial reporting purposes and investment tax credit. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the tax benefits will not be realized. Over or under provision of prior years' income tax liabilities are included in the current year's income tax expense.

### 3. EFFECT ON CHANGE IN ACCOUNTING PRINCIPLES

None.

### 4. CONTENTS OF SIGNIFICANT ACCOUNTS

<b>(1) Cash and Cash Equivalents</b>	1999	1998
Cash:		
Cash on hand	\$ 2,926	\$ 2,532
Demand accounts	1,140,377	714,732
Checking accounts	465,475	82,654
Time deposits	7,046,069	21,535,206
	8,654,847	22,335,124
Cash equivalents:		
Commercial paper	656,856	2,915,910
Repurchase bonds	1,771,898	-
	\$ 11,083,601	\$ 25,251,034
<b>(2) Marketable Securities</b>	1999	1998
Mutual funds	\$ 324,504	\$ 866,866
Listed equity securities - stocks	37,771	200,264
	362,275	1,067,130
Allowance for loss on decline in market value	(22,900)	(186,610)
	\$ 339,375	\$ 880,520
<b>(3) Accounts Receivable</b>	1999	1998
Accounts receivable	\$ 1,636,246	\$ 931,624
Allowance for sales returns and discounts	(27,246)	—
Allowance for doubtful accounts	(59,645)	(40,899)
	\$ 1,549,355	\$ 890,725
<b>(4) Inventories</b>	1999	1998
Raw materials	\$ 81,792	\$ 74,443
Supplies and spare parts	553,302	448,624
Work in process	1,137,766	2,023,671
Finished goods	746,900	779,676
Inventory in-transit	46,810	45,339
	2,566,570	3,371,753
Allowance for loss on decline in market value and obsolescence	(197,194)	(251,776)
	\$ 2,369,376	\$ 3,119,977

**(5) Long-Term Investments**

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

Investee Company	Percentage of Ownership as		
	of Dec. 31, 1999	1999	1998
Investments accounted for under equity method:			
Fortune Venture Capital Corporation	99.99%	\$ 3,388,305	\$ 2,018,855
Hsun Chieh Investment Co., Ltd.	98.74%	38,959,276	—
UMC Group (USA)	80.00%	505,215	433,311
AMIC Technology Inc.	66.76%	221,494	213,156
United Integrated Circuits Corp.	61.55%	8,286,487	4,681,242
United MicroMachining Corp.	60.91%	28,165	32,015
Hung Tien Investment Corporation	—	—	7,130,749
Ta Lien Investment Corporation	—	—	7,123,607
Pacific Venture Capital Co., Ltd.	49.99%	321,202	309,504
DuPont Photomasks Taiwan Ltd.	47.42%	777,872	530,650
Nippon Foundry Inc.	47.34%	1,550,124	—
Broadmedia, Inc.	39.89%	225,600	291,283
Unipac Optoelectronics Corp.	39.29%	7,515,473	1,108,988
United Silicon Inc.	38.79%	5,745,592	4,596,192
United Semiconductor Corporation	34.31%	7,110,072	5,763,173
Applied Component Technology Corporation	32.74%	126,816	102,459
World Wiser Electronics Incorporated	32.49%	1,554,585	1,056,047
Novatek Microelectronics Corp.	30.91%	551,339	363,294
Integrated Technology Express Inc.	29.56%	304,758	241,234
Focused Semiconductor Corp.	27.33%	121,896	218,890
Faraday Technology Corp.	22.21%	214,745	186,823
Mediatek Incorporation	20.14%	650,268	334,809
Integrated Telecom Express, Inc.	20.12%	242,554	113,126
Utek Semiconductor Corp.	9.01%	2,088,890	423,205
Sub-Total		\$ 80,490,728	\$ 37,272,612

**(5) Long-Term Investments (Continued)**

Investee Company	Percentage of Ownership as		
	of Dec. 31, 1999	1999	1998
Investments accounted for under cost method:			
United Industrial Gases Co., Ltd.	11.25%	\$ 146,250	\$ 146,250
Sino-Aerospace Investment Corp.	11.11%	86,588	285,000
National Venture Capital Corp.	11.09%	60,000	—
PixTech, Inc.	8.08%	137,750	137,750
TECO Information Systems Co., Ltd.	8.05%	715,542	614,000
TECO Electric & Machinery Co., Ltd.	4.07%	1,535,895	1,535,895
Catalyst Semiconductor, Inc.	7.76%	107,328	107,328
Dyna Image Corp.	3.43%	28,663	28,663
SAMPO Corporation	2.96%	443,598	450,852
Vialta.com, Inc.	2.38%	312,998	—
National Securities Corporation	1.46%	239,316	239,316
Stark Technology Inc.	1.20%	10,552	14,000
Premier Camera Taiwan Ltd.	0.88%	27,964	45,000
Chiao Tung Bank	0.88%	1,026,527	967,170
Legend Venture Capital Investment Corp.	—	—	50,000
Voice of Taipei Broadcasting Co., Ltd.	—	—	8,365
Technology Partner Venture Capital Corp.	—	—	90,000
Capital Investment Trust Corp.	—	—	14,700
Taiwan Mask Corp.	—	—	2,291
Monterey Design Systems, Inc.	—	—	34,200
Tripath Technology Inc.	—	—	143,500
SiRF Technology, Inc.	—	—	49,875
APTOS Corp.	—	—	149,040
EPIC Technologies Inc.	—	—	34,099
Silicon Perspective Corp.	—	—	57,600
Rise Technology Co.	—	—	316,525
Sub-Total		\$ 4,878,971	\$ 5,521,419
Prepaid long-term investments		1,000,000	3,983
Total		\$ 86,369,699	\$ 42,798,014
Cumulative translation adjustment		535,234	101,530
Allowance for loss on decline in market value of long-term investments		(319,448)	(443,534)
Grand-Total		\$ 86,585,485	\$ 42,456,010

B. The total long-term investment income under equity method recognized by the Company for the years 1999 and 1998 based on the audited financial statements of the investee companies were \$5,163,378 and \$2,448,908, respectively. Investment income amounting to \$4,399,711 and \$1,089,348 during the years ended December 31, 1999 and 1998, respectively, and the related long-term investment balances of \$64,887,689 and \$27,004,086 as of December 31, 1999 and 1998, respectively, were determined based on the investee companies' financial statements, which were audited by other certified public accountants.

C. On December 31, 1999, Hsun Chieh Investment Co., Ltd. was established following the merger of Hung Tien Investment Corporation, Ta Lien Investment Corporation and other companies.

D. The Company prepared its 1999 consolidated financial statements for the year ended December 31, 1999, which include Hsun Chieh Investment Co., Ltd., UMC Group (USA), United Integrated Circuits Corp. and Nippon Foundry Inc. The other subsidiaries were not consolidated into the Company's financial statements since neither the total assets and operating revenues of each subsidiary exceed 10% of those of the Company, nor their combined total assets and operating revenues exceed 30% of those of the Company.

#### (6) Property, Plant and Equipment

			1999
	Cost	Accumulated Depreciation	Book Value
Land	\$ 1,324,223	\$ —	\$ 1,324,223
Buildings	6,262,274	(862,793)	5,399,481
Machinery and equipment	39,741,957	(18,095,534)	21,646,423
Transportation equipment	33,518	(17,521)	15,997
Furniture and fixtures	733,041	(313,887)	419,154
Leasehold improvements	42,131	(12,519)	29,612
Construction in progress	661,630	—	661,630
Prepayments for equipment	7,231,533	—	7,231,533
	\$ 56,030,307	\$ (19,302,254)	\$ 36,728,053

			1998
	Cost	Accumulated Depreciation	Book Value
Land	\$ 784,070	\$ —	\$ 784,070
Buildings	5,083,988	(624,455)	4,459,533
Machinery and equipment	32,100,086	(14,740,674)	17,359,412
Transportation equipment	36,191	(17,398)	18,793
Furniture and fixtures	653,039	(225,811)	427,228
Leasehold improvements	64,849	(33,030)	31,819
Construction in progress	869,990	—	869,990
Prepayments for equipment	1,435,695	—	1,435,695
	\$ 41,027,908	\$ (15,641,368)	\$ 25,386,540

Interest expense capitalized in 1999 and 1998 amounted to \$221,113 and \$198,909, respectively.

**(7) Short-Term Loans**

	1999	1998
Unsecured loans	\$ 6,639,765	\$ 1,075,562
Interest rates	0.75%~7.10%	0.85%~6.70%

**(8) Bonds Payable**

	1999	1998
Unsecured bonds payable	\$ 1,892,900	\$ 9,474,800
Euro convertible bonds payable	1,036,607	2,288,477
Add: Compensation interest payable	514,269	979,241
	\$ 3,443,776	\$ 12,742,518

A. On June 8, 1994, the Company issued the first Euro convertible bonds amounting to US\$160,000,000. These convertible bonds were redeemed and/or converted into the Company's common stocks before October 26, 1999.

B. On May 20, 1996, the Company issued the second unsecured convertible bonds amounting to \$6,000,000. These convertible bonds were redeemed and/or converted into the Company's common stocks before October 14, 1998.

C. On May 16, 1997, the Company issued the second Euro convertible bonds. Main terms of the issue are as follows:

- (a) Total amount: US\$ 300,000,000
- (b) Place of trading: Luxembourg
- (c) Interest: 0.25% per annum net of withholding tax
- (d) Maturity date: May 16, 2004
- (e) Redemption at the option of the Company:

The Company may redeem the bonds on or after May 30, 2000 at their principal amount together with accrued interest, if (i) the closing price of the shares for a period of 20 consecutive trading days is at least 145% of the conversion price or (ii) at least 90% of the bonds were converted, redeemed or purchased and canceled.

- (f) Redemption at the option of the bondholders:

The Company will, at the option of the bondholders, redeem such bonds on or after May 16, 2002 at 141.69% of the principal amount.

D. On January 20, 1998, the Company issued the third unsecured convertible bonds.

Main terms of the issue are as follows:

- (a) Total amount: \$15,000,000
- (b) Interest: Zero
- (c) Maturity date: January 19, 2008
- (d) Redemption at the option of the bondholders:

Bondholders may request the Company to redeem the bonds with cash payment equal to par value plus compensation for interest (46.93% of the par value) on or after January 19, 2003.

**(9) Long-Term Loans**

	1999	1998
Long-term loans	\$ 8,059,464	\$ 8,459,332
Current portion	(2,355,555)	(2,436,789)
	\$ 5,703,909	\$ 6,022,543
Interest rates	6.35%~8.08%	6.67%~7.1%

**(10) Pension Fund**

A. All of the regular employees of the Company are covered by the pension plan. Under the plan, the Company contributes an amount equal to 2% of the employees' total salaries on a monthly basis to the pension fund, deposited at the Central Trust of China. Pension benefits are generally based on service years. Each employee is limited up to 45 points. Retirement benefits are paid from fund previously provided.

B. Based on actuarial assumptions for the year 1999, the discount rate and expected rate of return on plan asset are 6%, and the rate of compensation increase is 8%. The transition obligation is amortized equally over 15 years. The funded status of pension plan is listed as follows:

	November 1, 1999 (the actuarial date)	November 1, 1998 (the actuarial date)
Vested benefit obligation	\$ (3,241)	\$ (4,995)
Non-vested benefit obligation	(242,642)	(151,246)
Accumulated benefit obligation	(245,883)	(156,241)
Effect on projected salary increase	(941,402)	(547,725)
Projected benefit obligation	(1,187,285)	(703,966)
Market-related value of plan assets	283,974	240,388
Funded status	(903,311)	(463,578)
Unrecognized transition obligation	309,839	338,007
Unrecognized gain or loss	119,149	(225,196)
Accrued pension cost	\$ (474,323)	\$ (350,767)
Vested benefit	\$ 3,751	\$ 6,655

C. The components of net periodic pension cost for 1999 and 1998 are as follows:

	1999	1998
Service cost	\$ 103,232	\$ 89,251
Interest cost	45,758	36,856
Expected return on plan assets	(15,024)	(12,920)
Amortization of transition obligation	28,167	28,167
Amortization of unrecognized gain or loss	(11,057)	(15,112)
Net periodic pension cost	\$ 151,076	\$ 126,242

**(11) Capital**

A. The Company has authorized capital of 11,000,000,000 shares of stock (of which 1,500,000,000 shares are reserved for convertible bonds issued in R.O.C. or in foreign countries) with NT\$10 (in dollar) par value per share. As of December 31, 1999 6,654,996,600 common shares were issued and outstanding.

B. Based on the resolution of the shareholders' meeting on May 13, 1999, the Company issued new shares of 858,319,000 shares from the capitalization of retained earnings of \$2,780,469, employees' bonus of \$241,780 and capital reserve of \$5,560,939. The Company has completed the amendment procedures for registration.

C. On June 14, 1999, the Company's Board of Directors passed a resolution for the Company's merger with United Semiconductor Corporation (USC), United Integrated Circuits Corporation (UICC), United Silicon Incorporated (USI), and Utek Semiconductor Inc (Utek). According to the merger agreement, the Company is the surviving company and will issue new shares in exchange of the shares of USC, UICC, USI and Utek at the ratio of 1:1, 1:3, 1:1.35 and 1:2, respectively. As of January 3, 2000, the officially merged date, the capital stock of the Company was \$90,386,469.

**(12) Retained Earnings**

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

- (a) paying all taxes and dues;
- (b) covering prior years' operating losses, if any;
- (c) setting aside 10% of the remaining amount, after deducting (a) and (b), as legal reserve;
- (d) allocating 1% of the remaining amount, after deducting (a), (b), and (c) above from the current year's earnings, as directors' and supervisors' fees; and
- (e) retaining or distributing the remaining amount as follows: 92% as common stockholders' bonus and 8% to employees as employees' bonus.

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

C. As of December 31, 1999, the ending balance of unappropriated earnings amounted to \$11,130,347, of which \$64,220 was earned prior to January 1, 1998.

D. As of December 31, 1999, the balance of stockholders tax credit account was \$42,785. The estimated ratio of deductible tax credit for the appropriation of 1999 earnings will be 0.39%. The ratio of deductible tax credit for the appropriation of 1998 earnings was 0.54%.



**(13) Income Tax**

	1999	1998
Income tax per accounting income	\$ 2,105,133	\$ 791,052
Estimated permanent differences	(1,678,663)	(456,116)
Investment tax credit	(481,363)	(745,701)
Estimated 10% corporate income tax on unappropriated earnings	12,377	—
Adjustment of prior year's tax expense	276	(52,432)
Tax on interest income subjected to separate withholding income tax	70,012	11,438
Income tax expense (benefit)	27,772	(451,759)
Net effect of deferred tax assets	54,893	410,765
Adjustment of prior year's tax expense	(276)	52,432
Tax on interest income subjected to separate withholding income tax	(70,012)	(11,438)
Prepaid income tax	(55,389)	(147,755)
Income tax receivable (shown in other receivable)	\$ (43,012)	\$ (147,755)

Deferred income tax assets and liabilities were as follows:

	1999	1998
Deferred income tax assets - current	\$ 894,244	\$ 695,950
Deferred income tax liabilities - current	(12,632)	(12,137)
Valuation allowance for deferred tax assets	(420,000)	—
	461,612	683,813
Deferred income tax assets - non-current	2,962,812	2,631,181
Deferred income tax liabilities - non-current	(560,282)	(667,100)
Valuation allowance for deferred tax assets	(674,112)	(512,757)
	1,728,418	1,451,324
	\$ 2,190,030	\$ 2,135,137

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

	1999		1998	
	Amount	Effect of tax	Amount	Effect of tax
Current items:				
Temporary difference				
Unrealized exchange loss	\$ 158,579	\$ 31,716	\$ 279,444	\$ 55,889
Others	81,496	16,299	198,322	39,664
Investment tax credits	—	833,597	—	588,260
Valuation allowance for deferred tax assets	—	(420,000)	—	—
	\$ 240,075	\$ 461,612	\$ 477,766	\$ 683,813
Non-current items				
Temporary difference				
Depreciation	\$ (2,801,409)	\$ (560,282)	\$ (3,335,498)	\$ (667,100)
Pension	471,728	94,346	348,541	69,708
Unrealized exchange loss	378,152	75,630	808,844	161,769
Others	198,412	39,682	33,640	6,728
Investment tax credits	—	2,753,154	—	2,392,976
Valuation allowance for deferred tax assets	—	(674,112)	—	(512,757)
	\$ (1,753,117)	\$ 1,728,418	\$ (2,144,473)	\$ 1,451,324

The Company's income tax returns through the year 1996, except for 1995 which has not been assessed yet, were assessed and approved by the Tax Authority.

Pursuant to the "Statute for the Establishment and Administration of Science-Based Industrial Park," the Company was granted several periods of tax holidays with respect to income derived from approved investments. The tax holidays will expire on December 31, 2001. As of December 31, 1999, the Company's unused investment tax credits amounted to \$3,586,751.

## 5. RELATED PARTY TRANSACTION

### (1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company
United Semiconductor Corporation (USC)	Investee company
United Silicon Inc. (USIC)	Investee company
United Integrated Circuits Corp. (UICC)	Investee company
Utek Semiconductor Corp. (Utek)	Investee company
Nippon Foundry Inc. (NFI)	Investee company
Integrated Technology Express Inc. (ITE)	Investee company
Novatek Microelectronics Corp. (Novatek)	Investee company
Mediatek Incorporation (Mediatek)	Investee company
Unipac Optoelectronics Corp. (Unipac)	Investee company
World Wiser Electronics Incorporated (WWEI)	Investee company
Applied Component Technology Corp. (ACT)	Investee company
Fortune Venture Capital Corp. (FVC)	Investee company
DuPont Photomasks Taiwan Ltd. (DPT)	Investee company
UMC Group (USA) (UMC-USA)	Investee company
Hung Lien Investment Corp. (Hung Lien) <sup>(Note)</sup>	Investees' reinvestee
Chiao Tung Bank (Chiao Tung)	A director of the Company
Aptos (Taiwan) Corp. (Aptos)	The board chairman is the CEO of the Company.
United Microelectronics (Europe) B.V. (UMC BV)	A director is the board chairman of the Company.
United Microelectronics Co., Ltd. in Hong Kong (UMCL)	A director is the board chairman of the Company.
Formosa Links Pte Ltd. (Formosa)	A director is the board chairman of the Company.

Note: Hung Lien was merged with Hsun Chieh Investment Co., Ltd., the Company's majority-owned investee company on December 31, 1999.

### (2) Significant Related Party Transactions

A. Operating revenues		1999	1998	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$ 5,559,165	19%	\$ 750,175	4%
UMC BV	2,819,624	10%	1,134,207	6%
UMCL	1,488,911	5%	1,474,454	8%
Mediatek	1,045,700	3%	488,057	3%
Novatek	959,424	3%	885,706	5%
Formosa	895,755	3%	757,020	4%
ACT	851,877	3%	437,756	2%
ITE	839,692	3%	551,392	3%
Others	2,846,819	10%	1,700,682	9%
	\$ 17,306,967	59%	\$ 8,179,449	44%

The above sales are dealt with in the ordinary course of business similar to those with other companies. The collection period is approximately 30~60 days.

B. Purchases		1999	1998	
	Amount	Percentage	Amount	Percentage
Utek	\$ 1,506,076	17%	\$ 22,799	1%
USC	1,274,357	15%	1,563,675	36%
USIC	744,164	9%	1,068,021	25%
NFI	620,765	7%	—	—
Others	118,973	1%	45,965	1%
	\$ 4,264,335	49%	\$ 2,700,460	63%

The above purchases are dealt with in the ordinary course of business similar to those from other companies, and are paid within 60 days from purchase date.

C. Accounts receivable		1999	1998	
	Amount	Percentage	Amount	Percentage
UMC BV	\$ 888,779	18%	\$ 209,781	7%
UMC-USA	816,164	17%	518,968	18%
UMCL	337,291	7%	478,144	16%
Mediatek	224,043	5%	68,185	2%
Novatek	168,356	3%	46,016	2%
ITE	155,519	3%	31,730	1%
ACT	152,906	3%	25,282	1%
Formosa	120,011	2%	286,079	10%
Others	353,087	8%	321,650	11%
	3,216,156	66%	1,985,835	68%
Allowance for sales returns and discounts	(11,270)		—	
Allowance for doubtful accounts	(50,492)		(52,825)	
	\$ 3,154,394		\$ 1,933,010	

D. Other receivables		1999	1998	
	Amount	Percentage	Amount	Percentage
USC	\$ 268,590	23%	\$ 104,904	16%
USIC	144,087	12%	62,709	10%
Unipac	844	—	55,025	8%
UICC	330	—	57,387	9%
Others	141,233	12%	66,229	10%
	\$ 555,084	47%	\$ 346,254	53%

E. Accounts payable		1999	1998	
	Amount	Percentage	Amount	Percentage
NFI	\$ 129,797	5%	\$ —	—
Utek	128,163	5%	—	—
USIC	46,367	2%	540,132	20%
USC	22,609	1%	291,454	11%
Others	69,504	3%	100,938	3%
	\$ 396,440	16%	\$ 932,524	34%

F. Loans		1999		
	Maximum Balance	Ending	Interest	Interest
	Amount	Month	Balance	Rate
				Expense
Chiao Tung	\$ 1,146,530	May	\$ 923,910	6.64%
				\$ 64,285

		1998		
	Maximum Balance	Ending	Interest	Interest
	Amount	Month	Balance	Rate
				Expense
Chiao Tung	\$ 1,184,354	January	\$ 846,070	6.67%
				\$ 70,597

G. Acquisition of long-term investment		1999
	Item	Amount
Hung Lien	Common stocks of WWEI	\$ 438,014

H. Disposal of long-term investments		1999	
	Item	Amount	Gain (Loss)
FVC	Common stocks of Tripath Technology Inc. and Silicon Perspective Corp., etc.	\$ 334,984	\$ 15,710
Mediatek	Common stocks of Legend Venture Capital Investment Corp.	57,500	7,500
Aptos	Common stocks of APTOS Corp.	79,241	(79,488)
		\$ 471,725	\$ (56,278)

I. Disposal of property, plant and equipment		1999	
	Item	Amount	Gain (Loss)
DPT	Machineries and software	\$ 477,246	\$ 7,842
Unipac	Plant facility (FABI)	242,224	9,983
NFI	Machineries	156,267	24,432
Others	Machineries, etc.	69,238	5,071
		\$ 944,975	\$ 47,328

## I. Disposal of property, plant and equipment (Continued)

			1998
	Item	Amount	Gain (Loss)
Unipac	Plant (FABI)	\$ 120,000	\$ 15,145
Others	Machineries, etc.	44,935	(2,838)
		\$ 164,935	\$ 12,307

## J. Other transactions

	Item	1999	1998
USC	Facility revenues, etc.	\$ 428,018	\$ 315,855
USIC	Facility revenues, etc.	309,338	181,645
UICC	Facility revenues, etc.	115,353	168,359
Others	Facility revenues, etc.	125,234	305,581
		\$ 977,943	\$ 971,440

	Item	1999	1998
USIC	Research fee and mask charges	\$ 978,040	\$ 235,976
WWEI	Processing expenditures	192,943	263,234
Others	Service charges and processing expenditures, etc.	123,144	42,980
		\$ 1,294,127	\$ 542,190

## 6. ASSETS PLEDGED AS COLLATERAL

	1999	1998	Subject of collateral
Land	\$ 452,915	\$ —	Long-term loans
Building	4,048,416	1,804,837	Short-term and long-term loans
Machinery and equipment	13,712,787	9,254,058	Short-term and long-term loans
	\$ 18,214,118	\$ 11,058,895	

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company's unused letters of credit for import materials and machinery were \$10,137,675 and \$866,366 at December 31, 1999 and 1998, respectively.

(2) The Company entered into contracts with third parties for rights to use patents registered by the third parties. Royalty fee payable under these contracts in 1999 amounted to \$19,138,242 (of which the Company is entitled to reimbursement from affiliated companies in the amount of \$5,164,657). As of December 31, 1999, the Company's outstanding obligations related to these contracts amounted to \$12,520,766.

(3) As of December 31, 1999, the Company signed several construction contracts with third parties for the expansion of its factory space which amounted to \$1,136,381, and the outstanding obligations related to these contracts amounted to \$534,048.

(4) A number of third parties have notified the Company of its alleged infringement on the patents held by those third parties (including EMI, Intel, NEC, etc.), and have demanded that the Company obtain a license for various semiconductor fabrication techniques and circuit designs. The Company commenced evaluation of the specific patents involved, and the preliminary discussions with the third parties regarding licensing terms. Company management indicated a willingness to obtain licenses, wherever required and necessary, to continue the Company's business.

(5) In October, 1998, Micron Technology (Micron) filed a petition against the Company. Micron's petition alleged that imports of Dynamic Random Access Memory (DRAM) manufactured in Taiwan were sold in the U.S. at prices which were less than fair market value (i.e., at "dumped prices"). On November 19, 1999, the International Trade Commission (ITC) of the United States issued an order which terminated the antidumping case and the no anti-dumping duties will be assessed on DRAMs imported from Taiwan.

(6) In April 1998, Oak Technology Inc. filed a lawsuit with the U.S. ITC against the Company for alleged violation of the settlement agreement for patents held in relation to its CD ROM controller chip. On September 27, 1999, the U.S. ITC issued a ruling affirming that there was no infringement. Oak has appealed the finding of non-infringement to the Federal Circuit Court of Appeals. Company management believes that this complaint will not have an adverse material effect on the Company's operations and financial performances, since the Company no longer includes any sales of UMC CD ROM controllers in its financial plans.

(7) The Company entered into several operating lease contracts for land. Future minimum lease payments under those leases are:

Year	Amount
2000	\$ 21,418
2001	60,004
2002	60,004
2003	60,004
2004 and thereafter	554,933
	<hr/> \$ 756,363 <hr/>

(8) Certain major customers entered into foundry capacity agreements with the Company to reserve for certain wafer production capacity. Under these agreements, some of these customers either paid the Company deposits or have to compensate the Company certain percentages of the unutilized capacities reserved.

## 8. SIGNIFICANT DISASTER LOSS

None.

## 9. SIGNIFICANT SUBSEQUENT EVENT

In January, 2000, the Company entered into two three-year purchase agreements which committed the Company and related group companies to purchase at least 75% of their 8-inch wafer consumption from those two suppliers for a three-year period from January 1, 2000.

10. SEGMENT INFORMATION

(1) Operations in different industries

The Company operates principally in one industry. The Company’s major operation is the manufacture of semi-conductor products.

(2) Operations in different geographic areas

The Company has no significant foreign operations.

(3) Export sales

	1999	1998
Asia	\$ 4,119,989	\$ 2,861,574
Europe	2,363,783	1,134,206
North America	4,976,762	2,368,072
	\$ 11,460,534	\$ 6,363,852

(4) Major customers

			1999
Customers	Sales amount	%	Sales segment
UMC Group (USA)	\$ 5,559,165	19%	The whole Company

None for 1998.

11. INFORMATION ON DERIVATIVE TRANSACTIONS

The Company entered into three interest rate swap contracts with certain banks. The major information is as follows:

(1) Purpose: to hedge exchange rate risk.

(2) Notional amount and contract period:

Notional amount	Contract period
US\$10,000,000	November 28, 1996 ~ May 28, 2001
US\$40,000,000	December 19, 1997 ~ December 19, 2000
US\$20,000,000	December 23, 1997 ~ December 27, 2000

(3) Term and characteristics of the swaps:

A. Term: These transactions are settled on a semi-annual basis. The Company agrees to pay to the banks on each payment date, an amount equal to the notional amount multiplied by a fixed rate. The Company receives the floating rate interest, which is based on the 6 months USD-LIBOR-BBA rate on the day that is two London Banking Days preceding any reset date, from bank.



B. Credit risk: There is no significant credit risk with respect to the above three transactions because the banks have good global standing.

C. Market risk: The market risk is low due to the nature of the swaps.

## 12. FINANCIAL INSTRUMENTS

1999			1998	
Financial Assets	Book Value	Fair Value	Book Value	Fair Value
Short-term financial assets with fair value equal to book value	\$ 17,275,469	\$ 17,275,469	\$ 29,117,241	\$ 29,117,241
Marketable securities	339,375	350,661	880,520	891,198
Long-term investments	86,585,485	152,917,639	42,456,010	45,867,521
	\$ 104,200,329	\$ 170,543,769	\$ 72,453,771	\$ 75,875,960

1999			1998	
Financial Liabilities	Book Value	Fair Value	Book Value	Fair Value
Financial liabilities with fair value equal to book value	\$ 22,930,436	\$ 22,930,436	\$ 14,643,593	\$ 14,643,593
Bonds payable	3,443,776	8,386,642	12,742,518	12,475,586
	\$ 26,374,212	\$ 31,317,078	\$ 27,386,111	\$ 27,119,179

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

- (1) The carrying amounts of short-term financial assets and liabilities approximate fair values due to their short maturities.
- (2) The fair values of marketable securities and long-term investments are based on the market value of the securities or, if market value is unavailable, the net equities of the investee companies are used as fair value.
- (3) Fair value of bonds payable is estimated by the market value.
- (4) The book value of long-term loans is used as fair value as the loans bear floating rates.

## 13. SPECIAL DISCLOSURE ITEMS

Pursuant to the ROC Securities and Futures Commission ruling number (88) Tai-Tsai-Chung (VI) No.01403 dated March 30, 1999, certain transactions are disclosed.

The following related information on investee companies of 1999 was prepared based on the financial statements of the investee companies which were audited by certified public accountants. The information of AMIC

Technology, Inc., Hsun Chieh Investment Co., Ltd., United Integrated Circuits Corp., United Silicon Inc. and Utek Semiconductor Corp was prepared based on the financial statements which were audited by other certified public accountants.

- (1) Loans to third parties attributed to financial activities as of December 31, 1999: Please see attachment-1.
- (2) The endorsements and guarantees provided by the Company to third parties as of December 31, 1999: Please see attachment-2.
- (3) The Company securities are summarized as of December 31, 1999: Please see attachment-3
- (4) The cumulative buying, selling or the ending balance of one specific security exceeding the lower of NT\$100.0 million and 20 percent of the capital stock for the year ended December 31, 1999: Please see attachment-4.
- (5) Acquisition of long-term equity investment or real estate with an amount exceeding the lower of NT\$100.0 million and 20 percent of the Company's capital stock for the year ended December 31, 1999: Please see attachment-5.
- (6) Disposal of long-term equity investment or real estate with an amount exceeding the lower of NT\$100.0 million and 20 percent of the Company's capital stock for the year ended December 31, 1999: Please see attachment-6.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100.0 million and 20 percent of the Company's capital stock for the year ended of December 31, 1999: Please see attachment-7.
- (8) Receivables from related parties exceeding the lower of NT\$100.0 million and 20 percent of the Company's capital stock as of December 31, 1999: Please see attachment-8.
- (9) Related information on investee companies as of December 31, 1999: Please see attachment-9.

ATTACHMENTS TO NOTES

Attachment 1 - Loans to third attributed to financial activities as of December 31, 1999

No.	Names of lending company	Accounts name	Name of the borrowers	The credit limit set up by the Company for its respective borrower	The highest balance during 1999	The ending balance	Interest rate	The reason for lending	Collateral	Value of collateral	The yearly amount of sales to (purchase from) the borrower	The ceiling of fund of financing for the borrower
1	AMIC Technology, Inc.	Receivable from related parties	AMIC Technology (Taiwan) Inc.	USD 2,000,000	USD 2,000,000	USD 2,000,000	6.88%	Operating capital	None	N/A	None	N/A
2	AMIC Technology, Inc.	Receivable from related parties	AMIC Technology (Europe)	USD 250,000	USD 250,000	USD 250,000	6.88%	Operating capital	None	N/A	None	N/A
3	UMC Group (USA)	Receivable from employee's loans	The Company employee	N/A	USD 2,979,000	USD 2,979,000	7.00%	Employee loan	Employee's Securities	Higher than loan	None	N/A

**Attachment 2 - The company provided the following endorsement and guarantee to third parties as of December 31, 1999**

No.	Guaranteed company	Guaranteed party	Relationship with the Company	The limit of guarantee for such party	The highest outstanding guarantee amount during 1999	The outstanding guarantee amount at Dec. 31, 1999	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee for the respective party
1	Nippon Foundry Inc.	A director and employee	A director and employee	JPY1,200,640,000	JPY1,200,640,000	JPY1,200,640,000	JPY1,200,640,000	4.30%	JPY1,200,640,000

**Attachment 3 - The ending balance of securities are summarized as of December 31, 1999**

							December 31, 1999		
Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (thousand)	Book value	Percentage	Market value	Shares as collateral (thousand)	
December 31, 1999									
United Microelectronics Corporation									
Mutual fund	The Kwang Hua Aggressive Fund	None	Short-term investment	1,837	\$ 30,060	N/A	\$ 22,266		
Mutual fund	Master Link First Fund	None	Short-term investment	1,947	20,080	N/A	24,479		
Mutual fund	Barits Baoli Fund	None	Short-term investment	1,000	10,000	N/A	13,390		
Mutual fund	Yuan-Ta New Main Stream Fund	None	Short-term investment	9,500	95,000	N/A	111,055		
Mutual fund	Capital Asset Allocation Fund	None	Short-term investment	2,341	23,500	N/A	23,406		
Mutual fund	Jih Sun Top Five Fund	None	Short-term investment	2,000	20,000	N/A	22,360		
Mutual fund	Citi Equity Taiwan Fund	None	Short-term investment	2,000	20,000	N/A	21,620		
Mutual fund	Fubon OTC Fund	None	Short-term investment	3,581	35,864	N/A	19,175		
Mutual fund	Truswell Truswell Fund	None	Short-term investment	7,000	70,000	N/A	59,516		
Stock	S3 Inc.	None	Short-term investment	70	37,771	0.14%	22,108		
Stock	Fortune Venture Capital Corporation	Investee company	Long-term investment	299,994	3,388,305	99.99%	N/A		
Stock	Hsun Chieh Investment Corporation	Investee company	Long-term investment	1,399,800	38,959,276	98.74%	N/A		
Stock	UMC Group (USA)	Investee company	Long-term investment	13,150	505,215	80.00%	N/A		
Stock	AMIC Technology Inc.	Investee company	Long-term investment	15,000	221,494	66.76%	N/A		
Stock	United Integrated Circuits Corp.	Investee company	Long-term investment	923,192	8,286,487	61.55%	N/A		
Stock	United MicroMachining Corp.	Investee company	Long-term investment	6,000	28,165	60.91%	N/A		
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	321,202	49.99%	N/A		
Stock	Dupont Photomasks Taiwan Ltd.	Investee company	Long-term investment	78,243	777,872	47.42%	N/A		
Stock	Nippon Foundry Inc.	Investee company	Long-term investment	107	1,550,124	47.34%	56,938,019		
Stock	Broadmedia, Inc.	Investee company	Long-term investment	10,000	225,600	39.89%	N/A		
Stock	Unipac Optoelectronics Corp.	Investee company	Long-term investment	510,741	7,515,473	39.29%	N/A		
Stock	United Silicon Inc.	Investee company	Long-term investment	581,811	5,745,592	38.79%	N/A		
Stock	United Semiconductor Corporation	Investee company	Long-term investment	575,659	7,110,072	34.31%	N/A		
Stock	Applied Component Technology Corporation	Investee company	Long-term investment	10,764	126,816	32.74%	N/A		
Stock	World Wiser Electronics Incorporated	Investee company	Long-term investment	77,494	1,554,585	32.49%	3,518,207		
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	30,030	551,339	30.91%	N/A		
Stock	Integrated Technology Express Inc.	Investee company	Long-term investment	22,379	304,758	29.56%	N/A		
Stock	Focused Semiconductor Corp.	Investee company	Long-term investment	24,600	121,896	27.33%	N/A		
Stock	Faraday Technology Corp.	Investee company	Long-term investment	12,787	214,745	22.21%	4,501,082		
Stock	Integrated Telecom Express, Inc.	Investee company	Long-term investment	7,000	242,554	20.12%	N/A		
Stock	Mediatek Incorporation	Investee company	Long-term investment	23,520	650,268	20.14%	N/A		
Stock	Utek Semiconductor Corporation	Investee company	Long-term investment	105,508	2,088,890	9.01%	5,802,966		
Stock	United Industrial Gases Co., Ltd.	None	Long-term investment	10,058	146,250	11.25%	N/A		
Stock	Sino-Aerospace Investment Corp.	None	Long-term investment	28,500	86,588	11.11%	N/A		
Stock	National Venture Capital Corporation	None	Long-term investment	6,000	60,000	11.09%	N/A		
Stock	PixTech, Inc.	None	Long-term investment	1,111	137,750	8.08%	76,344		
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	67,654	715,542	8.05%	N/A		
Stock	Catalyst Semiconductor, Inc.	None	Long-term investment	650	107,328	7.76%	70,182		
Stock	TECO Electric & Machinery Co., Ltd.	The director and supervisor of the Company	Long-term investment	62,029	1,535,895	4.07%	1,656,163		
Stock	Dyna Image Corp.	None	Long-term investment	3,756	28,663	3.43%	83,760		
Stock	SAMPO Corporation	A director of the board chairman of the Company	Long-term investment	29,476	443,598	2.96%	344,871		
Stock	Vialta.com, Inc.	None	Long-term investment	3,800	312,998	2.38%	N/A		
Stock	National Securities Corporation	None	Long-term investment	11,778	239,316	1.46%	169,010		
Stock	Stark Technology Inc.	None	Long-term investment	613	10,552	1.20%	N/A		

Attachment 3 (Continued)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 1999				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
Stock	Chiao Tung Bank	The director of the Company	Long-term investment	17,504	\$ 1,026,527	0.88%	\$ 761,422	—
Stock	Premier Camera Taiwan Ltd.	None	Long-term investment	1,479	27,964	0.88%	133,850	—
<b>United Integrated Circuits Corp.</b>								
Mutual fund	TIIM Tech & Financial Fund	None	Short-term investment	3,000	30,000	N/A	34,230	—
Stock	United Microelectronics Corporation	Investee company to the Company	Short-term investment	21,883	472,217	0.33%	2,123,042	—
Stock	Utek Semiconductor Corp.	Investee company to UMC	Long-term investment	41,369	1,282,553	3.50%	1,552,586	—
Stock	Chiao Tung Bank	None	Short-term investment	19,442	1,189,713	0.93%	869,825	—
<b>Hsun Chieh Investment Co., Ltd.</b>								
Stock	SAMPO Corporation	None	Short-term investment	2,703	30,101	0.30%	30,101	—
Stock	UniMicron Technology Corp.	Investee company	Long-term investment	85,990	1,059,610	49.85%	N/A	—
Stock	Harvatek Corporation	Investee company	Long-term investment	15,351	204,991	33.37%	N/A	—
Stock	Enovation Group, Inc.	Investee company	Long-term investment	7,172	80,000	23.91%	N/A	—
Stock	Advance Materials Corporation	Investee company	Long-term investment	4,054	44,212	6.23%	N/A	—
Stock	ASPEC Technology, Inc.	None	Long-term investment	240	29,812	1.09%	29,812	—
Stock	Chiao Tung Bank	A director is the board chairman of the Company	Long-term investment	42,091	1,882,974	2.12%	1,882,974	14,215
Stock	PixArt Imaging Inc.	None	Long-term investment	1,000	10,000	2.26%	N/A	—
Stock	Unipac Optoelectronic Corp.	Investee company to UMC	Long-term investment	28,832	513,222	2.21%	N/A	—
Stock	Golden Technology Venture Capital Investment	A director of the Company	Long-term investment	8,000	80,000	10.67%	N/A	—
Stock	Taiwan Asia Pacific Venture Fund	None	Long-term investment	115	29,295	4.16%	N/A	—
Stock	United Microelectronics Corporation	Investee company to the Company	Long-term investment	167,173	16,219,605	2.52%	16,219,605	8,000
Stock	Ascend Semiconductor Corporation	The Company is the director and supervisor	Long-term investment	3,600	36,000	10.00%	N/A	—
Stock	Sampo Semiconductor Corporation	None	Long-term investment	8,870	88,700	3.55%	N/A	—
Stock	Cosmos Technology Venture Capital Investment	The Company is the director	Long-term investment	4,000	40,000	5.03%	N/A	—
Stock	Integrated Telecom Express, Inc.	None	Long-term investment	1,163	96,248	4.97%	N/A	—
Stock	TECO Information Systems Co., Ltd.	None	Long-term investment	10,195	152,920	1.20%	N/A	—
Stock	Advance Microelectronics Product Inc.	None	Long-term investment	7,000	126,000	8.48%	N/A	—
Stock	IC Ensemble, Inc.	None	Long-term investment	933	23,588	12.28%	N/A	—
Stock	Faraday Technology Corp.	None	Long-term investment	3,895	1,308,880	6.77%	1,308,880	—
Stock	Sheng-Hua Venture Capital Corporation	None	Long-term investment	5,000	50,000	2.50%	N/A	—
Stock	Subtron Technology Co., Ltd.	None	Long-term investment	6,000	72,000	5.00%	N/A	—
Stock	NCTU Spring Venture Capital Co., Ltd.	None	Long-term investment	2,000	20,000	6.28%	N/A	—
Stock	Comtrend Corporation	None	Long-term investment	300	42,000	0.60%	N/A	—
Stock	United Semiconductor Corporation	Investee company to UMC	Long-term investment	137,834	13,373,049	8.21%	N/A	—
Stock	NTCU Spring I Technology Venture Capital	None	Long-term investment	3,000	30,000	8.57%	N/A	—
Stock	Pst International, Inc.	None	Long-term investment	1,200	18,000	8.89%	N/A	—
Stock	Cnyes.Com, Inc.	None	Long-term investment	5,000	62,900	8.97%	N/A	—
Stock	Integrated Photonics, Inc.	None	Long-term investment	300	6,290	11.46%	N/A	—
Stock	Nippon Foundry, Inc.	Investee company to UMC	Long-term investment	11	240,665	4.96%	403,227	—
Stock	Triscend Corp.	None	Long-term investment	360	16,983	3.24%	N/A	—
Stock	Vialta.com, Inc.	None	Long-term investment	7,600	621,452	9.42%	N/A	—
<b>Fortune Venture Capital Corporation</b>								
Mutual fund	Crystal Internet Venture Fund II	None	Long-term investment	—	21,170	0.99%	N/A	—
Mutual fund	Iglobe Partners Fund L.P.	None	Long-term investment	—	31,638	10.51%	N/A	—
Stock	Integrated Telecom Express Inc.	Investee company	Long-term investment	4,000	177,112	17.12%	N/A	—
Stock	Unipac Optoelectronics Corp.	Investee company	Long-term investment	25,245	354,973	1.94%	N/A	—
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	None	Long-term investment	10,500	105,000	7.00%	N/A	—
Stock	Systematic Designs International Inc.	None	Long-term investment	1,300	10,178	19.50%	N/A	—
Stock	SiRF Technology Inc.	None	Long-term investment	875	119,436	4.20%	N/A	—
Stock	Ominivision Technology Inc.	None	Long-term investment	540	22,272	4.39%	N/A	—
Stock	Integraphics System Inc.	None	Long-term investment	700	14,435	2.30%	N/A	—
Stock	Hsin Chu Chen-Tao CATV Co., Ltd.	None	Long-term investment	349	3,489	1.40%	N/A	—
Stock	Programmable Microelectronics Corp.	None	Long-term investment	1,000	82,722	8.24%	N/A	—
Stock	Springsoft Inc.	None	Long-term investment	427	11,083	1.54%	124,684	—
Stock	Shuttle Inc.	None	Long-term investment	599	15,653	0.64%	24,895	—

Attachment 3 (Continued)

Kinds of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	December 31, 1999				Shares as collateral (thousand)
				Number of shares (thousand)	Book value	Percentage	Market value	
Stock	Abpac Inc.	None	Long-term investment	1,000	\$ 57,456	8.40%	\$ N/A	—
Stock	United Silicon Inc.	Investee company	Long-term investment	15,000	171,858	1.00%	N/A	—
Stock	Triscend Corp.	None	Long-term investment	1,750	188,957	15.74%	N/A	—
Stock	NeoParadigm Labs	None	Long-term investment	200	—	0.76%	N/A	—
Stock	Sino-American Silicon Products Inc.	None	Long-term investment	1,050	27,000	1.35%	N/A	—
Stock	Arcadia Design Systems, Inc.	None	Long-term investment	162	26,203	1.53%	N/A	—
Stock	PixArt Imaging Inc.	None	Long-term investment	7,900	113,200	17.85%	N/A	—
Stock	CTS Computer Technology System Corp.	None	Long-term investment	1,350	24,000	2.05%	N/A	—
Stock	Advance Materials Corporation	Investee company	Long-term investment	12,800	143,600	19.69%	N/A	—
Stock	Urex Precision, Inc.	None	Long-term investment	1,387	13,875	13.88%	N/A	—
Stock	Broadmedia Inc.	Investee company	Long-term investment	10,000	135,235	25.00%	N/A	—
Stock	AMIC Technology Inc.	Investee company	Long-term investment	7,200	72,000	16.36%	N/A	—
Stock	APTOS Corp	Investee company	Long-term investment	25,523	291,812	34.03%	N/A	—
Stock	IXMICRO, Inc.	None	Long-term investment	333	49,534	2.33%	N/A	—
Stock	Averlogic Technologies, Inc.	None	Long-term investment	500	18,661	9.20%	N/A	—
Stock	Rise Technology, Inc.	None	Long-term investment	200	32,292	10.10%	N/A	—
Stock	The 3CX, U.S.A.	None	Long-term investment	180	5,814	3.87%	N/A	—
Stock	EPIC	None	Long-term investment	22	34,240	10.87%	N/A	—
Stock	Aurora Systems, Inc.	None	Long-term investment	2,000	159,436	15.00%	N/A	—
Stock	Silicon Perspective Corp.	None	Long-term investment	800	57,600	19.20%	N/A	—
Stock	Monterey Design Systems, Inc.	None	Long-term investment	394	34,201	3.48%	N/A	—
Stock	Orchid Biocomputer, Inc.	None	Long-term investment	400	95,240	1.87%	N/A	—
Stock	Pst International, Inc.	None	Long-term investment	1,200	12,000	8.89%	N/A	—
Stock	Vialta.Com, Inc.	None	Long-term investment	3,800	313,205	4.73%	N/A	—
Stock	Tripath Technology, Inc.	None	Long-term investment	500	158,235	5.50%	N/A	—
<b>United Semiconductor Corporation</b>								
Mutual fund	Kwang Hua Small and Medium Enterprise Fund	None	Short-term investment	2,000	20,040	N/A	16,020	—
Mutual fund	Fuh-Hwa Balance Fund	None	Short-term investment	2,000	20,040	N/A	20,700	—
Mutual fund	United Columbus Fund	None	Short-term investment	3,000	30,000	N/A	36,810	—
Mutual fund	Truswell Semiconductor Fund	None	Short-term investment	2,000	20,050	N/A	25,420	—
Mutual fund	Truswell Truswell Fund	None	Short-term investment	8,000	80,000	N/A	68,018	—
Stock	UMC Group (USA)	Investee company	Long-term investment	3,288	117,285	20.00%	N/A	—
Stock	Industrial Bank of Taiwan	The promoter	Long-term investment	115,000	1,150,000	5.00%	N/A	—
Stock	Vialta.com, Inc	None	Long-term investment	3,800	309,837	2.00%	N/A	—
Stock	Chiao Tung Bank	A director is the board chairman of the Company	Long-term investment	19,442	1,161,005	0.01%	909,788	—
Stock	United Microelectronics Corporation	Investee company for the Company	Long-term investment	79,578	1,844,276	1.21%	7,720,887	—
<b>United Silicon Inc.</b>								
Convertible bond	World Wiser Electronics Inc. convertible bond	Investee company to UMC	Long-term investment	9,978	997,800	N/A	1,347,030	—
Stock	Chiao Tung Bank	A director is the board chairman of the Company	Long-term investment	11,180	425,903	0.48%	500,178	—
Stock	United Microelectronics Corporation	Investee company to the Company	Long-term investment	1,915	75,942	0.03%	185,813	—
Stock	Farmers Bank	None	Short-term investment	3,100	56,448	0.00%	56,448	—
<b>Utek Semiconductor Corp.</b>								
Mutual fund	Bond fund etc.	None	Short-term investment	5,000	50,140	N/A	52,861	—
Convertible bond	Nippon Foundry Inc. convertible bond	Investee company to UMC	Short-term investment	18 units	550,260	N/A	555,418	—
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	36,400	456,025	36.40%	N/A	—
Stock	Hsun Chieh Investment Corp.	Investee company to UMC	Long-term investment	17,494	488,545	1.24%	N/A	—

**Attachment 4 - The cumulative buying, selling or the ending balance of one specific security exceeding the lower of NT\$100 million and 20 percent of the capital for the year ended December 31, 1999**

Name of the securities	Beginning balance		Addition		Disposal		Ending balance		Gain/Loss	Note (note)	
	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares	Amount	form disposal	No. of shares (thousand)	Amount
December 31, 1999											
United Microelectronics Corporation											
Fortune Venture Capital Corporation	199,994	\$ 2,018,855	100,000	\$ 1,000,000	—	\$ —	299,994	\$ 3,388,305	\$ —	—	\$ 369,450
Hsun Chieh Investment Co.	—	—	—	—	—	—	1,399,800	38,959,276	—	1,399,800	38,959,276
UMC Group (USA)	13,150	433,311	—	—	—	—	13,150	505,215	—	—	71,904
AMIC Technology Inc.	15,000	213,156	—	—	—	—	15,000	221,494	—	—	8,338
United Integrated Circuits Corp.	622,015	4,681,242	301,177	3,614,195	—	—	923,192	8,286,487	—	—	(8,950)
Pacific Venture Capital Co., Ltd.	30,000	309,504	—	—	—	—	30,000	321,202	—	—	11,698
Dupont Photomasks Taiwan Ltd.	53,104	530,650	25,139	251,395	—	—	78,243	777,872	—	—	(4,173)
Nippon Foundry Inc.	—	—	54	2,356,838	—	—	107	1,550,124	—	53	(806,714)
Broadmedia, Inc.	10,000	291,283	—	—	—	—	10,000	225,600	—	—	(65,683)
Unipac Optoelectronics Corp.	71,965	1,108,988	438,776	6,430,522	—	—	510,741	7,515,473	—	—	(24,037)
United Silicon Inc.	581,811	4,596,192	—	—	—	—	581,811	5,745,592	—	—	1,149,400
United Semiconductor Corporation	468,016	5,763,173	—	—	—	—	575,659	7,110,072	—	107,643	1,346,899
Applied Component Technology Corporation	10,764	102,459	—	—	—	—	10,764	126,816	—	—	24,357
World Wiser Electronicsocs Inc.	54,149	1,056,047	12,515	438,014	—	—	77,494	1,554,585	—	10,830	60,524
Novatek Microelectronics Corp.	21,450	363,294	—	—	—	—	30,030	551,339	—	8,580	188,045
Integrated Technology Express Inc.	19,981	241,234	—	—	—	—	22,379	304,758	—	2,398	63,524
Focus Semiconductor Corp.	24,600	218,890	—	—	—	—	24,600	121,896	—	—	(96,994)
Faraday Technology Corp.	11,634	186,823	—	—	3,500	470,456	12,787	214,745	416,734	4,653	81,644
Integrated Telecom Express, Inc.	7,000	113,126	—	—	—	—	7,000	242,554	—	—	129,428
Mediatek Incorporation	13,440	334,809	—	—	—	—	23,520	650,268	—	10,080	315,459
Utek Semiconductor Corporation	16,549	423,205	79,368	2,028,535	—	—	105,508	2,088,890	—	9,591	(362,850)
United Industrial Gases Co., Ltd.	8,746	146,250	—	—	—	—	10,058	146,250	—	1,312	—
PixTech, Inc.	1,111	137,750	—	—	—	—	1,111	137,750	—	—	—
TECO Information Systems Co., Ltd.	57,500	614,000	10,154	101,542	—	—	67,654	715,542	—	—	—
Catalyst Semiconductor, Inc.	650	107,328	—	—	—	—	650	107,328	—	—	—
TECO Electric & Machinery Co., Ltd.	56,390	1,535,895	—	—	—	—	62,029	1,535,895	—	5,639	—
SAMPO Corporation	29,958	450,852	—	—	482	11,874	29,476	443,598	4,620	—	—
Vialta.com, Inc.	—	—	3,800	312,998	—	—	3,800	312,998	—	—	—
National Securities Corporation	10,611	239,316	—	—	—	—	11,778	239,316	—	1,167	—
Chiao Tung Bank	13,775	967,170	1,979	59,357	—	—	17,504	1,026,527	—	1,750	—
Tripath Technology Inc.	500	143,500	—	—	500	158,235	—	—	14,735	—	—
Triscend Corp.	—	—	1,110	161,034	1,110	161,196	—	—	162	—	—
SaveCom InfoCom Inc. Preparatory Office	—	—	—	1,000,000	—	—	—	1,000,000	—	—	—
United Integrated Circuits Corp.											
United Microelectronics Corporation	19,028	472,217	—	—	—	—	21,883	472,217	—	2,855	—
Utek Semicondustor Corporation	37,608	1,282,553	—	—	—	—	41,369	1,282,553	—	3,761	—
Chiao Tung Bank	15,300	1,123,785	2,198	65,928	—	—	19,442	1,189,713	—	1,944	—
Fortune Venture Capital Corporation											
Integrated Technology Express Inc.	4,000	108,428	—	—	—	—	4,000	177,112	—	—	68,684
Unipac Optoelectronics Corp.	4,000	37,472	27,500	357,500	6,255	86,824	25,245	354,973	8,392	—	38,433
Shin-Etsu Handotai Taiwan Co., Ltd.	10,500	105,000	—	—	—	—	10,500	105,000	—	—	—
SiRF Technology Inc.	625	68,728	250	50,708	—	—	875	119,436	—	—	—
United Silicon Inc.	15,000	151,847	—	—	—	—	15,000	171,858	—	—	20,011
Triscend Corp.	1,750	188,957	—	—	—	—	1,750	188,957	—	—	—
PixArt Imaging Inc.	2,200	22,000	5,700	91,200	—	—	7,900	113,200	—	—	—
Advance Materials Corporation	5,000	50,000	7,800	93,600	—	—	12,800	143,600	—	—	—
Broadmedia, Inc.	—	—	10,576	132,200	576	8,063	10,000	135,235	863	—	10,235
APTOS Corp.	—	—	25,523	300,820	—	—	25,523	291,812	—	—	(9,008)
Aurora Systems, Inc.	—	—	2,000	159,436	—	—	2,000	159,436	—	—	—
Vialta.Com, Inc.	—	—	3,800	313,205	—	—	3,800	313,205	—	—	—
Tripath Technology, Inc.	—	—	500	158,235	—	—	500	158,235	—	—	—
Novatek Microelectronics Corp.	2,281	45,108	—	—	2,281	182,468	—	—	129,000	—	8,360
United Integrated Circuits Corp.	10,007	92,133	—	—	10,007	120,084	—	—	29,649	—	(1,698)
Shuttle Inc.	2,825	95,826	—	—	2,226	144,135	599	15,653	63,962	242,970	—
United Semiconductor Corporation											
UMC Group (USA)	3,288	105,759	—	—	—	—	3,288	117,285	—	—	11,526
Industrial Bank of Taiwan	25,000	250,000	90,000	900,000	—	—	115,000	1,150,000	—	—	—

## Attachment 4 (Continued)

Name of the securities	Beginning balance		Addition		Disposal		Ending balance		Gain/Loss form disposal	Note (note)	
	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares (thousand)	Amount	No. of shares	Amount		No. of shares (thousand)	Amount
Vialta.com, Inc.	—	\$ —	3,800	\$ 309,837	—	\$ —	3,800	\$ 309,837	\$ —	—	\$ —
Chiao Tung Bank	15,300	1,095,076	2,198	65,929	—	—	19,442	1,161,005	—	1,944	—
United Microelectronics Corporation	69,198	1,844,276	—	—	—	—	79,578	1,844,276	—	10,380	—
Yuan-Ta Taiwan Economy Fund	9,900	" 99,000	—	—	9,900	106,920	—	—	7,920	—	—
<b>United Silicon Inc.</b>											
Chiao Tung Bank	8,798	387,991	2,382	37,912	—	—	11,180	425,903	—	—	—
World Wiser Electronics Inc. convertible bond	—	—	10,078	1,007,800	100	10,700	9,978	997,800	—	—	700
<b>Utek Semiconductor Corp.</b>											
Nippon Foundry Inc. convertible bond	—	—	18 units	550,260	—	—	18 units	550,260	—	—	—
Holtek Semiconductor Inc.	16,000	158,090	20,400	204,000	—	—	36,400	456,025	—	—	93,935
Hsun Chieh Investment Corp.	—	—	—	—	—	—	17,494	488,545	—	17,494	488,545
<b>Hsun Chieh Investment Co., Ltd.</b>											
UniMicron Technology Corp.	—	—	—	—	—	—	85,990	1,059,610	—	85,990	1,059,610
Harvatek Corporation	—	—	—	—	—	—	15,351	204,991	—	15,351	204,991
Chiao Tung Bank	—	—	—	—	—	—	42,091	1,882,974	—	42,091	1,882,974
Unipac Optoelectronics Corp.	—	—	—	—	—	—	28,832	513,222	—	28,832	513,222
United Microelectronics Corporation	—	—	—	—	—	—	167,173	16,219,605	—	167,173	16,219,605
TECO Information Systems Co., Ltd.	—	—	—	—	—	—	10,195	152,920	—	10,195	152,920
Advance Microelectronics Product Inc.	—	—	—	—	—	—	7,000	126,000	—	7,000	126,000
Faraday Technology Corp.	—	—	—	—	—	—	3,895	1,380,880	—	3,895	1,380,880
United Semiconductor Corporation	—	—	—	—	—	—	137,834	13,373,049	—	137,834	13,373,049
Nippon Foundry, Inc.	—	—	—	—	—	—	11	240,665	—	11	240,665
Vialta.com, Inc.	—	—	—	—	—	—	7,600	621,452	—	7,600	621,452

Note: The number of shares show distributed dividends from investee companies, except Hsun Chieh Investment Co., Ltd, whose shares were transferred from eliminated companies. The amounts show recognized investment income/loss.

Attachment 5 - Acquisition of long-term equity investment or real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year ended December 31, 1999

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	The relationship with the Company	Disclosure items for related party				The bases reference used in deciding the price	The status of purpose or disposal	Other commitments
						Original owner who sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount			
December 31, 1999												
United Microelectronics Corporation												
Stock of Utek Semiconductor Corp.	Jan. 5, 1999 ~ Feb. 5, 1999	\$ 625,790	Paid	The market	None	N/A	N/A	N/A	N/A	The transaction price in the market	Long-term investment	None
Stock of Utek Semiconductor Corp.	May 15, 1999	1,402,745	Paid	Utek Semiconductor Corp.	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of Unipac Optoelectronics Corp.	Feb. 1, 1999	4,355,000	Paid	Unipac Optoelectronics Corp.	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of Unipac Optoelectronics Corp.	Dec. 17, 1999	2,075,522	Paid	Unipac Optoelectronics Corp.	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of TECO Information Systems, Co., Ltd.	Feb. 10, 1999	101,542	Paid	TECO Information Systems Co., Ltd.	None	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of United Integrated Circuits Corp.	March 19, 1999 ~ May 7, 1999	3,614,195	Paid	OPTI, Inc. OAK Technology, Inc. ATI Technologies, Inc. ESS Technology, Inc. Integrated Silicon Solution Inc. A natural person	None	N/A	N/A	N/A	N/A	The opinion of expert's in securities	Long-term investment	None
Stock of Fortune Venture Capital Corporation	Sep. 1, 1999	1,000,000	Paid	Fortune Venture Capital Corporation	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of DuPont Photomasks Taiwan Ltd.	Oct. 15, 1999	251,395	Paid	DuPont Photomasks Taiwan Ltd.	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Stock of World Wiser Electronics Incorporated	Nov. 1, 1999	438,014	Paid	Hung Lien Investment Corp.	Investee company' reinvestee	Note	None	Note	\$ 409,736	The opinion of the professional analysts	Long-term investment	None
Savecom InfoCom Inc. Preparatory Office	Dec. 27, 1999	1,000,000	Paid	Savecom InfoCom Inc. Preparatory Office	Investee company accounted for under cost method expectedly.	N/A	N/A	N/A	N/A	The issuing price of the incorporated company	Long-term investment	None
The stock of Nippon Foundry Inc.	Jan. 6, 1999	382,324	Paid	Nippon Steel Corporation	None	N/A	N/A	N/A	N/A	The opinion of the professional analysts	Long-term investment	None
The stock of Nippon Foundry Inc.	March 25, 1999	1,974,514	Paid	Nippon Foundry Inc.	Investee company	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
The stock of Triscend Corporation	Feb. 6, 1999	161,034	Paid	Nankang Rubber Tire Corporation Limited	None	N/A	N/A	N/A	N/A	The opinion of the professional analysts	Long-term investment	None
The stock of Vialta.com, Inc.	Nov. 30, 1999	312,998	Paid	Vialta.com, Inc.	Investee company accounted for under cost method	N/A	N/A	N/A	N/A	The issuing price of the investee company	Long-term investment	None
Land	Jul. 8, 1999	156,170	Paid by three times according to the contract	Great Silicon Valley Construction Co., Ltd.	None	N/A	N/A	N/A	N/A	The market price	To build up the employees' dormitory	None
Land	Nov. 11, 1999	385,317	Paid	San Ai Building Materials Industry Co, Ltd.	None	N/A	N/A	N/A	N/A	The market price	To build up the plant	None
Land	Dec. 24, 1999	226,279	Paid	A natural person	None	N/A	N/A	N/A	N/A	The market price	To build up the plant	None

Note: Before public offering, the stocks were purchased from the unspecified third parties. After public offering, the stocks were transacted in the over-counter market.



Attachment 6 - Disposal of long-term equity investment or real estate with an amount exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year ended December 31, 1999

Names of the properties	Date of transaction	Acquisition date of the properties	Book value	Transaction amount	Status of payment receiving	Gain/ Loss on disposal	Counter party	The relationship with the Company	Reason for disposal	The bases or reference used in deciding the price	Other commitments
December 31, 1999											
<b>United Microelectronics Corporation</b>											
Stock of Faraday Technology Corp.	Oct. 22, 1999	Continuous acquisition since 1993	\$ 53,721	\$ 470,456	Received	\$ 416,734	In the first market	None	Initial public offering	The broker price	None
The stock of Tripath Technology Inc.	Dec. 17, 1999	Aug. 13, 1997	143,500	158,235	Received	14,375	Fortune Venture Capital Corporation	Investee company	The fiancial operation	The net value	None
The stock of Triscend Corporation	Dec. 10, 1999	Feb. 6, 1999	161,034	161,196	Received	162	Golden Global	None	The fiancial operation	The net value	None

Attachment 7 - Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock for the year ended December 31, 1999

Name of related parties transactions	Relationship with the Company	Transactions				Accounts & notes receivable (payable)	
		Purchase (Sales)	Amount	Percentage of (purchase) sales	Term	Balance	Percentage of account
1999							
United Microelectronics Corporation							
UMC Group (USA)	Investee company	Sales	\$ 5,559,165	19%	60days	\$ 816,164	16%
United Microelectronics (Europe) B.V.	The director is the board chairman of the Company	Sales	2,819,625	10%	90days	888,779	17%
United Microelectronics Co.,Ltd. in Hong Kong	The director is the board chairman of the Company	Sales	1,488,911	5%	60days	337,291	7%
Mediatek Incorporation	Investee company	Sales	1,045,700	3%	60days	225,563	4%
Novatek Microelectronics Corp.	Investee company	Sales	959,424	3%	60days	168,356	3%
Formosa Links Pte Ltd.	The director is the board chairman of the Company	Sales	895,755	3%	60days	120,011	2%
Applied Component Technology Corp.	Investee company	Sales	851,877	3%	60days	161,812	3%
Integrated Technology Expredd Inc.	Investee company	Sales	839,692	3%	60days	242,639	5%
DAVICOM Semiconductor Inc.	Investee's subsidiary	Sales	658,867	2%	60days	95,887	2%
United Semiconductor Corp.	Investee company	Sales	557,487	2%	60days	24,090	0%
United Silicon Inc.	Investee company	Sales	468,501	2%	60days	9,750	0%
Nippon Foundry Inc.	Investee company	Sales	453,153	2%	60days	136,513	3%
Faraday Technology Corp.	Investee company	Sales	356,432	1%	60days	86,007	2%
Utek Semiconductor Corp.	Investee company	Sales	177,500	1%	60days	4,044	0%
Utek Semiconductor Corp.	Investee company	Purchase	1,506,076	17%	60days	(128,163)	5%
United Semiconductor Corp.	Investee company	Purchase	1,274,357	15%	60days	(22,609)	1%
United Integrated Circuits Corp.	Investee company	Purchase	744,164	9%	60days	(46,367)	2%
Nippon Foundry Inc.	Investee company	Purchase	620,765	7%	60days	(129,797)	5%
UMC Group (USA)							
UMC Group	Investee company & subsidiary	Purchase	USD 195,900,000	100%	60days	(USD34,400,000)	99%
		Sales	USD 13,900,000	100%	30days		
Nippon Foundry Inc.							
UMC	Investee company	Purchase	JPY 2,221,703,000	12%	60days	(JPY 464,309,000)	5%
UMC	Investee company	Sales	JPY 2,163,385,000	14%	60days	JPY 454,801,000	19%

### Attachment 8 - Receivables from related parties exceeding the lower of NT\$100 million and 20 percent of the capital stock as of December 31, 1999

Name of the counter party	Relationship with the counter party	Balance of receivable from related party				Turnover rate (times)	Overdue receivable		Subsequent received amount	Bad debt allowance provided
		Notes receivable	Accounts receivable	Other receivables	Amount		Amount	Collection		
December 31,1999										
United Microelectronics Corporation										
United Microelectronics (Europe) B.V.	A director is the board chairman of the Company	\$ —	\$ 888,779	\$ —	\$ 888,779	5.13	\$ —	N/A	\$ 99,517	\$ —
UMC Group (USA)	Investee company	—	816,164	8,077	824,241	8.33	291,543	credit collecting	—	12,314
United Microelectronics Co.,Ltd. in Hong Kong	A director is the board chairman of the Company	—	337,291	—	337,291	3.65	—	N/A	41,139	—
United Semiconductor Corporation	Investee company	—	24,090	268,590	292,680	8.92	407	credit collecting	25,606	16
Integrated Technology Express Inc.	Investee company	87,120	155,519	7,414	250,053	4.96	229	credit collecting	76,684	9
Mediatek Incorporation	Investee company	1,520	224,043	4,212	229,775	5.92	3,013	credit collecting	—	121
Nippon Foundry Inc.	Investee company	—	136,513	55,919	192,432	6.64	6,329	credit collecting	—	1,215
Novatek Microelectronics Corp.	Investee company	—	168,356	4,613	172,969	7.18	84,700	credit collecting	92,518	3,937
Applied Component Technology Corporation	Investee company	8,906	152,906	—	161,812	8.28	110,196	credit collecting	128,951	6,927
United Silicon Inc.	Investee company	—	9,750	144,087	153,837	14.31	—	N/A	11,614	—
Formosa Links Pte Ltd.	A director is the board chairman of the Company	—	120,011	—	120,011	4.41	54,818	credit collecting	58,826	2,354
Nippon Foundry Inc.										
United Microelectronics Corporation	Investee company	—	JPY 454,801,000	—	JPY 454,801,000	9.51	—	N/A	JPY 35,090,000	

### Attachment 9 - Related information on investee companies as of December 31, 1999

Investee company	Address	The main business scope	Shares held by the Company			The net income of the investee company	Gain/Loss recorded by the company	Note
			Number of shares	%	Book value			
			(thousands)					
December 31, 1999								
United Microelectronics Corporation								
Fortune Venture Capital Corporation	2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan	Venture capital consultation	299,994	99.99%	\$ 3,388,305	\$ 223,702	\$ 223,491	
UMC Group (USA)	788 Palomar Avenue, Sunnyvale, CA 94086	IC Sales	13,150	80.00%	505,215	USD 2,675,000	58,714	
AMIC Technology Inc.	25180 Mission College Blvd, Santa Clara, CA 95094	Memory IC design and manufacturing	15,000	66.76%	221,494	(USD 1,593,000)	9,003	
United Integrated Circuits Corp.	No.8, Li-Shin Rd. III, Science-Based Industrial Park, Hsin-Chu	IC production and sales	923,192	61.55%	8,286,487	(496,811)	(8,949)	
United MicroMachining Corp.	1557A Center Pointe Dr, Milpitas, CA 95035	Micron machinery research and development	6,000	60.91%	28,165	(USD 101,000)	(3,850)	
Hsun Chieh Investment Co.	2F, No.76, Sec.2, Tunhwa S. Rd., Taipei, Taiwan	Investment planning and consultation	1,399,800	98.74%	38,959,276	—	—	
Pacific Venture Capital Co., Ltd.	5F, No.420, Fu-Hsin N. Rd. Taipei	Venture capital consultation	30,000	49.99%	321,202	23,395	11,698	
Dupont Photomasks Taiwan Ltd.	No.3, Li-Shin Rd. II, Science-Based Industrial Park, Hsin-Chu	Manufacturing of photomasks	78,243	47.42%	777,872	(8,867)	(6,882)	
Nippon Foundry Inc.	No.1580 Yamamoto, Tateyama-City, Chiba, Japan	IC production and sales	107	47.34%	1,550,124	JPY 34,868,644,000	(793,405)	
Broadmedia, Inc.	1135 Kern Avenue, Sunnyvale, CA 94086	Telecom IC manufacturing and sales	10,000	39.89%	225,600	(USD 5,866,000)	(66,912)	
Unipac Optoelectronics Corp.	No.3, Industrial East Rd.III, Science-Based Ind. Park, Hsin-Chu	LCD component sales and manufacturing	510,741	39.29%	7,515,473	13,822	(48,338)	
United Silicon Inc.	No.6, Li-Shin Rd. III, Science-Based Ind. Park, Hsin-Chu	IC production and sales	581,811	38.79%	5,745,592	1,889,179	1,149,400	
United Semiconductor Corporation	No.3, Li-Shin Rd. II, Science-Based Ind. Park, Hsin-Chu	IC production and sales	575,659	34.31%	7,110,072	3,690,899	1,477,953	
Applied Component Technology Corp.	12F-5, No.171 Sung-The Rd., Taipei	Electronic component design and sales	10,764	32.74%	126,816	26,425	8,665	
World Wiser Electronics Inc.	No.66-6, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan	PCB production	77,494	32.49%	1,554,585	351,027	70,801	
Novatek Microelectronics Corp.	2F, No.13, Innovation Rd. 1, Science-Based Ind. Park, Hsin-Chu	IC production and sales	30,030	30.91%	551,339	631,708	207,449	
Integrated Technology Express, Inc.	3F, No.13, Innovation Rd. 1, Science-Based Ind. Park, Hsin-Chu	IC production and sales	22,379	29.56%	304,758	212,971	68,328	
Focus Semiconductor Corp.	No.1, Chin-Shan St.7, Hsin-Chu	IC packaging and testing	24,600	27.33%	121,896	(354,898)	(96,994)	
Faraday Technology Corp.	7F-3, No.9, Prosperity Rd. 1, Science-Based Ind. Park, Hsin-Chu	ASIC design and production	12,787	22.21%	214,745	337,237	93,412	
Mediatek Incorporation	1F, No.13, Innovation Rd. 1, Science-Based Ind. Park, Hsin-Chu	IC production and sales	23,520	20.14%	650,268	1,645,854	345,969	
Integrated Telecom Express, Inc.	2710 Walsh Ave., Santa Clara, CA 95095	IC production and sales	7,000	20.12%	242,554	(USD 12,867,000)	(111,764)	
Utek Semiconductor Corporation	No.5, Creation Rd. II, Science-Based Industrial Park, Hsin-Chu	IC production and sales	105,508	9.01%	2,088,890	(638,350)	(87,223)	
Hsun Chieh Investment Co., Ltd.								
Harvatek Corporation	No. 18, Lane 522, Sec.5, Chung Hwa Rd., Hsin-Chu, Taiwan	IC testing, production, packaging and sales	15,351	33.37%	204,991	4,329	1,656	Note
UniMicon Technology Corp.	No.66-5, Hou Pi Tso, 9 Lin, Keng Kou Village, Lu-Chu, Taoyuan	PCB production	85,990	49.85%	1,059,610	10,892	2,659	
Enovation Group, Inc.	2F, No.85, RenAi Rd., Sec. 4, Taipei, Taiwan	Development and sales of internet applications	7,172	23.91%	80,000	—	—	Note
Nippon Foundry Inc.	No.1580 Yamamoto, Tateyama-City, Chiba, Japan	IC production and sales	11	4.96%	240,665	JPY 34,868,644,000	—	

Note: Investment income/loss was recognized in next year.

## CONSOLIDATED BALANCE SHEET

December 31, 1999 and 1998

IN THOUSAND NTD	December 31,	1999	1998
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$	26,802,435	\$ 26,798,797
Marketable securities		449,134	1,520,102
Notes receivable			
- nonrelated parties		1,426,677	115,493
- related parties		156,984	252,401
Accounts receivable			
- nonrelated parties		3,173,899	1,434,004
- related parties		2,241,783	1,444,369
Other receivables			
- nonrelated parties		797,119	337,009
- related parties		491,831	346,254
Inventories		3,058,579	3,119,977
Prepaid expenses		148,664	183,494
Other current assets		1,002,015	796,593
		39,749,120	36,348,493
<b>Funds and Long-term Investments</b>			
Long-term investments		58,831,564	36,502,865
Prepaid long-term investments		1,073,620	23,983
Allowance for loss on decline in long-term investments		(339,965)	(714,814)
		59,565,219	35,812,034
<b>Property, Plant and Equipment</b>			
Cost			
Land		1,510,704	784,070
Buildings		11,887,892	5,083,988
Machinery and equipment		47,134,535	32,122,373
Transportation equipment		39,385	36,191
Furniture and fixtures		1,170,766	661,552
Leasehold improvements		78,472	89,323
		61,821,754	38,777,497
Accumulated depreciation		(25,535,084)	(15,656,911)
Construction in progress and prepayments		9,470,354	2,305,685
		45,757,024	25,426,271
<b>Intangible Assets</b>			
Trademarks		1,262	986
Patents		215	11,417
Other		636,638	170,995
		638,115	183,398
<b>Other Assets</b>			
Leased assets		156,758	389,078
Idle assets		26,917	5,000
Deposits out		58,969	17,991
Deferred assets		469,621	281,447
Deferred income tax assets		1,746,086	1,444,041
Others		356,898	160,218
		2,815,249	2,297,775
<b>TOTAL ASSETS</b>	\$	148,524,727	\$ 100,067,971

## CONSOLIDATED BALANCE SHEET

IN THOUSAND NTD	December 31,	1999	1998
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans	\$	7,469,725	\$ 1,455,562
Note payable		1,633,587	
Accounts payable			
- nonrelated parties		4,790,392	1,780,395
- related parties		484,071	989,074
Accrued income tax payable		526,882	22,613
Accrued expenses		1,758,446	986,058
Other payables		5,474,472	1,094,564
Current portion of long-term loans		2,355,555	2,436,789
Other current liabilities		156,863	114,588
		24,649,993	8,879,643
<b>Long-term Liabilities</b>			
Bonds payable		4,990,776	12,742,518
Long-term loans		5,703,909	6,022,543
		10,694,685	18,765,061
<b>Other Liabilities</b>			
Accrued pension payable		492,055	350,745
Deposits in		519	858
Minority interest		9,897,636	119,612
Others		170,013	—
		10,560,223	471,215
<b>Total Liabilities</b>		45,904,901	28,115,919
<b>Stockholders' Equity</b>			
<b>Capital</b>			
Common stock		66,549,966	55,382,695
Certificates exchangeable for common shares		—	35,318
<b>Capital reserve</b>			
Premiums		14,089,776	12,417,294
Gain on disposal of property, plant and equipment		40,711	16,983
Change in equities of long-term investments		22,705,546	435,207
<b>Retained earnings</b>			
Legal reserve		4,579,516	4,140,512
Unappropriated earnings		11,130,347	4,450,744
Unrealized loss on long-term investments		(319,448)	(443,534)
Cumulative translation adjustment of long-term investments		535,234	101,530
Treasury stock		(16,691,822)	(4,584,697)
<b>Total Stockholders' Equity</b>		102,619,826	71,952,052
<b>Commitments and Contingent Liabilities</b>			
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$	148,524,727	\$ 100,067,971

## CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 1999 and 1998

IN THOUSAND NTD (EXCEPT FOR EARNINGS PER SHARE)	1999	1998
Operating Revenues		
Sales revenue	\$ 32,840,736	\$ 18,479,647
Sales returns	(186,712)	(325,379)
Sales allowances	(599,854)	(773,593)
Net sales	32,054,170	17,380,675
Other operating revenues	1,565,328	1,379,758
Net operating revenues	33,619,498	18,760,433
Operating Costs		
Cost of goods sold	(23,758,819)	(13,884,840)
Other operating costs	(1,064,528)	(671,996)
	(24,823,347)	(14,556,836)
Gross Profit	8,796,151	4,203,597
Unrealized Intercompany Profit	(101,023)	(94,252)
Realized Intercompany Profit	94,252	53,174
	8,789,380	4,162,519
Operating Expenses		
Selling expenses	(406,885)	(299,060)
Administrative expenses	(1,288,452)	(1,617,978)
Research and development expenses	(3,135,475)	(1,933,715)
	(4,830,812)	(3,850,753)
Operating Income	3,958,568	311,766
Non-operating Income		
Interest income	1,197,309	1,948,416
Investment income	2,716,633	2,517,632
Gain on disposal of investments	3,737,357	946,344
Other income	16,332,891	1,018,782
	23,984,190	6,431,174
Non-operating Expenses		
Interest expense	(1,081,841)	(1,765,488)
Other losses	(4,602,177)	(1,035,591)
	(5,684,018)	(2,801,079)
Income Before Income Tax	22,258,740	3,941,861
Income Tax (Expense) Benefit	(828,964)	455,035
Minority interest (income) loss	(10,931,884)	10,125
Net Income	\$ 10,497,892	\$ 4,407,021
Earnings Per Share		
Net income (in NTD)	\$ 1.66	\$ 0.73