MACRONIX INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2002 AND 2001

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors, Supervisors, and Shareholders
of Macronix International Co., Ltd.

We have audited the accompanying balance sheets of Macronix International Co., Ltd. as of December 31, 2002 and 2001, and the related statements of operations, changes in shareholders' equity, and cash flows for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Prominent Communications Inc., Chaohong Electronics Co., Ltd. and Biomorphic VLSI. Inc., (investee companies of one of the Company's wholly owned subsidiaries) as of and for the year ended December 31, 2002. In addition, we did not audit the financial statements of Prominent Communication Inc., and Biomorphic, VLSI. Inc. as of and for the year ended December 31, 2001. As of December 31, 2002 and 2001, the Company's long-term investments in those companies amounted to NT$11.7 million (after deducting a credit investment balance of NT$104.1 million) and NT$56.1 million, respectively, and the related investment losses recognized amounted to NT$133.7 million and NT$132.9 million for the years then ended. The financial statements of those investee companies have been audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to data included for those companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Macronix International Co., Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001, in conformity with generally accepted accounting principles in the Republic of China.

Diwan, Ernst & Young

Taipei, Taiwan, R.O.C
March 5, 2003

Notice to Readers

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

MACRONIX INTERNATIONAL CO., LTD.
BALANCE SHEET
December 31, 2002 and 2001
(Amounts in thousand New Taiwan Dollars)

ASSETS	Notes	December 31,2002	December 31,2001	LIABILITIES & SHAREHOLDERS' EQUITY	Notes	December 31,2002	December 31,2001
Current assets				**Current liabilities**			
Cash and cash equivalents	2, 4(1)	$ 7,179,104	$ 12,295,159	Short-term debts	4(8), 6	$ 696,176	$ -
Restricted investments-current	6	3,034,823	34,000	Current portion of debentures	4(11),6	6,563,788	-
Notes receivable (net)	4(2)	95,947	67,598	Current portion of long-term debts	4(9), 6	2,157,640	2,877,581
Accounts receivable (net)	4(3)	2,301,743	2,029,500	Current portion of capital lease obligations	4(10), 6	625,858	321,934
Receivables from related parties (net)	4(4),5	257,785	359,520	Accounts payable		1,371,672	1,087,606
Inventories (net)	2,4(5)	5,090,063	7,187,307	Payables to related parties	5	232,651	180,661
Prepaid expenses		551,227	562,031	Income taxes payable	2,4(18)	300,783	358,076
Other current assets	2,10	378,318	565,270	Accrued expenses		1,726,498	1,827,718
Deferred income taxes-current (net)	2,4(18)	465,854	723,620	Payables to equipment suppliers		1,551,915	1,010,363
Total current assets		19,354,864	23,824,005	Other current liabilities	2,10	57,004	208,216
				Total current liabilities		15,283,985	7,872,155
Long-term equity investments	2,4(6)	3,388,474	3,974,210				
Property, plant and equipment	2,4(7),6,7			**Long-term liabilities**			
Land		598,076	598,076	Long-term debts, less current portion	4(9), 6	6,070,140	5,241,404
Buildings and facilities		18,313,706	13,361,244	Capital lease obligations, less current portion	4(10),6	980,525	1,615,628
Production equipment		42,935,570	41,020,975	Debentures, less current portion	4(11),6	12,288,061	12,651,276
Research and development equipment		1,518,588	1,216,401	Total long-term liabilities		19,338,726	19,508,308
Transportation equipment		30,263	30,554				
Office furniture and fixtures		853,923	852,335				
Leasehold improvement		4,468	4,468	**Other liabilities**			
Leased equipment		1,750,658	953,225	Refundable deposits-in		149	88
Total property, plant and equipment		66,005,252	58,037,278	Accrued pension cost	2,4(19)	115,420	22,704
Less: Accumulated depreciation		(34,291,327)	(26,365,185)	Total long-term liabilities		115,569	22,792
Add: Construction in progress		27,349	2,491,523	**Total liabilities**		34,738,280	27,403,255
Prepayments for equipment		7,499,520	4,603,724				
Net property, plant and equipment		39,240,794	38,767,340				
Intangible assets	2			**Shareholders' equity**			
Software		407,152	471,549	Common shares	4(12)	36,912,769	33,593,426
Deferred charges		641,698	380,033	Capital reserve	4(13)	2,630,977	5,966,324
Total intangible assets		1,048,850	851,582	Legal reserve	4(14)	1,708,689	1,707,053
				Special reserve		378,657	1,425
Other assets				Retained earnings (deficit)	4(15)	(9,469,175)	2,249,996
Refundable deposits		37,945	30,711	Unrealized loss on long-term investments	2,4(6)	(979,081)	(647,618)
Restricted investments-non-current	6	260,625	1,721,801	Cumulative translation adjustments	2,4(6)	219,894	268,961
Deferred income taxes-non-current (net)	2,4(18)	1,451,292	1,193,526	Treasury stock	2,4(16)	(1,188,436)	-
Other assets		169,730	179,647	**Total shareholders' equity**		30,214,294	43,139,567
Total other assets		1,919,592	3,125,685				
Total assets		$ 64,952,574	$ 70,542,822	**Total liabilities and shareholders' equity**		$ 64,952,574	$ 70,542,822

See accompanying notes to financial statements.

MACRONIX INTERNATIONAL CO., LTD.
STATEMENT OF OPERATIONS
For the years ended December 31, 2002 and 2001
(Amounts in thousand New Taiwan Dollars except share data)

Description	Notes	For the year ended December 31	
		2002	2001
Sales	2, 4(20),5	$ 16,225,549	$ 21,606,027
Less: Sales returns		(37,982)	(165,175)
Sales discounts		(112,411)	(80,131)
Net sales revenue		16,075,156	21,360,721
Cost of goods sold		(16,952,581)	(11,564,460)
Gross (loss) profit		(877,425)	9,796,261
Plus: Unrealized profit as of January 1	2	118,249	112,862
Less: Unrealized profit as of December 31	2	(8,618)	(118,249)
Realized gross (loss) profit		(767,794)	9,790,874
Operating expenses			
Selling expenses		(650,078)	(508,996)
Administrative expenses		(1,239,414)	(1,204,158)
Research and development expenses		(3,804,237)	(3,821,234)
Total operating expenses		(5,693,729)	(5,534,388)
Operating (loss) income		(6,461,523)	4,256,486
Other income			
Interest income		199,318	481,688
Gain on disposal of property, plant and equipment	2	3,070	21,284
Foreign exchange gains	2	70,005	-
Others		187,630	185,763
Total other income		460,023	688,735
Other expenses			
Interest expense		(1,166,598)	(1,075,745)
Investment losses	2,4(6)	(1,201,691)	(928,570)
Loss on disposal of property, plant and equipment	2	-	(7,262)
Foreign exchange losses	2	-	(77,858)
Inventory loss provision	2,4(5)	(2,923,861)	(2,559,855)
Others		(63,013)	(245,411)
Total other expenses		(5,355,163)	(4,894,701)
Income (Loss) before taxes		(11,356,663)	50,520
Income tax expense	2,4(18)	-	(917,000)
Net loss		$ (11,356,663)	$ (866,480)
Net loss per share	2,4(17)	$ (3.10)	$ (0.23)
Pro-forma data: assuming that the Company's shares owned by subsidiaries were not treated as treasury stock			
Net loss		$ (11,426,697)	
Net loss per share	2,4(18)	$ (3.12)	

See accompanying notes to financial statements.

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2002 and 2001

(Amounts in thousand New Taiwan Dollars)

Description	Common shares	Capital reserve	Legal reserve	Special reserve	Retained earnings (deficit)	Unrealized loss on long-term investments	Cumulative translation adjustments	Treasury stock	Total
Balance as of January 1, 2001	$ 24,744,091	$ 8,440,733	$ 647,015	$ -	$ 10,743,013	$ (107,300)	$ 105,875	$ -	$ 44,573,427
Appropriation and distribution of 2000 retained earnings:									
Special reserve	-	-	-	1,425	(1,425)	-	-	-	-
Legal reserve	-	-	1,060,038	-	(1,060,038)	-	-	-	-
Distribution of directors' and supervisor's remuneration	-	-	-	-	(190,148)	-	-	-	(190,148)
Stock dividends	4,948,818	-	-	-	(4,948,818)	-	-	-	-
Employee bonuses	1,426,108	-	-	-	(1,426,108)	-	-	-	-
Additional paid-in capital transferred to common stock	2,474,409	(2,474,409)	-	-	-	-	-	-	-
Unrealized loss on long-term investments	-	-	-	-	-	(540,318)	-	-	(540,318)
Net loss, 2001	-	-	-	-	(866,480)	-	-	-	(866,480)
Cumulative translation adjustments	-	-	-	-	-	-	163,086	-	163,086
Balance as of December 31, 2001	$ 33,593,426	$ 5,966,324	$ 1,707,053	$ 1,425	$ 2,249,996	$ (647,618)	$ 268,961	$ -	$ 43,139,567
Balance as of January 1, 2002	$ 33,593,426	$ 5,966,324	$ 1,707,053	$ 1,425	$ 2,249,996	$ (647,618)	$ 268,961	$ -	$ 43,139,567
Appropriation and distribution of 2002 retained earnings:									
Special reserve	-	-	-	377,232	(377,232)	-	-	-	-
Additional paid-in capital transferred to common stock	3,319,343	(3,319,343)	-	-	-	-	-	-	-
Unrealized loss on long-term investments	-	-	-	-	-	(331,463)	-	-	(331,463)
Common stock repurchased	-	-	-	-	-	-	-	(1,046,071)	(1,046,071)
Treasury stock owned by subsidiaries	-	-	-	-	-	-	-	(142,365)	(142,365)
Recognition of an investee's capital reserve	-	356	-	-	-	-	-	-	356
Gain on disposal of property, plant and equipment transferred to retained earnings	-	(16,360)	1,636	-	14,724	-	-	-	-
Net loss, 2002	-	-	-	-	(11,356,663)	-	-	-	(11,356,663)
Cumulative translation adjustments	-	-	-	-	-	-	(49,067)	-	(49,067)
Balance as of December 31, 2002	$ 36,912,769	$ 2,630,977	$ 1,708,689	$ 378,657	$ (9,469,175)	$ (979,081)	$ 219,894	$ (1,188,436)	$ 30,214,294

See accompanying notes to financial statements.

MACRONIX INTERNATIONAL CO., LTD.
STATEMENT OF CASH FLOWS
For the years ended December 31, 2002 and 2001
(Amounts in thousand New Taiwan Dollars)

Description	For the year ended December 31 2002	2001
Cash flows from operating activities:		
Net loss	$ (11,356,663)	$ (866,480)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	8,097,740	7,435,120
Bad debt expense (reversal of allowance for bad debt)	16,144	(45,379)
Inventory loss provision	2,923,861	2,559,855
Cash dividends	14,485	-
Net losses from equity investments	1,206,919	633,218
Write off on long-term investments	-	321,553
Gain on disposal of short-term investments	(5,228)	(26,202)
Amortization	628,822	561,552
Deferred income taxes	-	858,121
Gain on disposal of property, plant and equipment	(3,070)	(14,022)
Accrued pension cost	92,716	5,885
Notes receivable	(27,149)	147,297
Accounts receivable	(305,930)	2,436,485
Receivables from related parties	118,078	354,986
Inventories	(822,497)	(4,605,160)
Other current assets	186,952	127,660
Prepaid expenses	6,684	(156,579)
Accounts payable	284,066	(486,722)
Payables to related parties	51,990	(200,720)
Accrued expenses	(101,220)	93,314
Income taxes payable	(57,293)	(255,748)
Other current liabilities	(151,212)	(20,720)
Increase in reserve for redemption of convertible bonds	184,993	561,649
Net cash provided by operating activities	983,188	9,418,963
Cash flows from investing activities:		
Increase in restricted investments	(1,539,647)	(1,539,801)
Decrease in short-term investments	5,228	26,202
Additions to long-term equity investments	(1,158,207)	(2,543,641)
Purchase of property, plant and equipment	(8,427,407)	(8,648,881)
Proceeds from disposal of property, plant and equipment	6,023	92,445
Decrease (Increase) in refundable deposits	(7,234)	5,795
Additions to intangible assets	(431,278)	(631,522)
Decrease (increase) in other assets	9,917	(33,536)
Net cash used in investing activities	(11,542,605)	(13,272,939)

Description	For the year ended December 31 2002	2001
Cash flows from financing activities:		
Net increase (decrease) in short-term debts	696,176	(924,680)
Increase in refundable deposits-in	61	-
Distribution of directors' and supervisors' remuneration	-	(190,148)
Common stock repurchased	(1,046,071)	-
Net increase (decrease) in long-term debts	108,795	(2,451,401)
Net (decrease) increase in capital lease obligations	(331,179)	1,918,394
Net increase in debentures	6,015,580	3,346,784
Net cash provided by financing activities	5,443,362	1,698,949
Net decrease in cash and cash equivalents	(5,116,055)	(2,155,027)
Cash and cash equivalents at the beginning of the year	12,295,159	14,450,186
Cash and cash equivalents at the end of the year	$ 7,179,104	$ 12,295,159
Supplemental disclosures of cash flow information:		
Interest paid during the year (excluding capitalized interest)	$ 1,143,482	$ 1,121,579
Income tax paid during the year	$ 76,346	$ 501,635
Non-cash activities:		
Current portion of debentures transferred to current liabilities	$ 6,563,788	$ -
Current portion of long-term debts transferred to current liabilities	$ 2,157,640	$ 2,877,581
Current portion of capital lease obligations transferred to current liabilities	$ 625,858	$ 321,934
Unrealized losses on long-term investments	$ 331,463	$ 540,318
Cumulative translation adjustments	$ 49,067	$ (163,086)
Stock issuance for capital reserve and retained earnings	$ 3,319,343	$ 7,423,227
Stock issuance for employee bonuses	$ -	$ 1,426,108
Treasury stock owned by subsidiaries	$ 142,365	$ -
Cash paid for purchase of property, plant and equipment:		
Purchases of property, plant and equipment	$ 8,968,959	$ 8,294,353
(Increase) decrease in payables to equipment suppliers	(541,552)	354,528
Cash paid	$ 8,427,407	$ 8,648,881

See accompanying notes to financial statements.

MACRONIX INTERNATIONAL CO., LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

(Amounts in thousands except shares, per share and percentages)

1. Organization and Business

The Company

Macronix International Co., Ltd. (the "Company") was incorporated in the Hsinchu Science Based Industrial Park ("HSIP"), Taiwan, under the laws of the Republic of China (the "ROC") on December 9, 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits and memory chips.

2. Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near to their maturity that they present insignificant risk of changes in interest rates. Commercial paper, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered to be cash equivalents.

Short-Term Investments

Short-term investments are carried at lower of cost or market value at the balance sheet date using the weighted average cost method.

Foreign Currency Translation

The Company maintains its accounting records in New Taiwan dollars ("NT Dollars" or "NT$"), the national currency of Republic of China. Transactions denominated in foreign currencies are recorded in NT Dollars using the exchange rates in effect at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into NT Dollars using the exchange rates in effect at the balance sheet date. Foreign exchange gains or losses are included in other income or losses.

The assets and liabilities of the foreign subsidiaries are translated into NT Dollars, with the local currency of each foreign subsidiary as its functional currency, at current exchange rates in effect at the balance sheet date. Revenue and expense accounts are translated using a weighted average exchange rate for the period. Translation gains and losses are included as a component of shareholders’ equity.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the Company’s credit policy, the collectibility and ageing analysis of notes and accounts receivable and other receivables.

Inventories

Inventories are carried at the lower of cost or market value using the weighted average cost method. Replacement cost is used to determine the market value of raw materials and supplies, and unallocated freight-in. Net realizable value is used to determine the market value of work in process and finished goods, and commodities purchased. The lower of cost or market method is applied to each major category.

Long-Term Investments

a. Long-term investments in which the Company holds an interest of 20% or more and has the ability to exercise significant influence are accounted for under the equity method of accounting. The difference between the cost of the investment and the fair value of the identifiable assets at the date of acquisition is amortized over five years. Other long-term investments are carried at the lower of cost or market, with unrealized losses recorded as a separate component of shareholders’ equity. There is no recognition of unrealized gains.

b. The unrealized profits and losses from intercompany transactions between the investor company and investee company during the period are eliminated. If the transaction is downstream (a sale to the investee company) and the investor company has controlling power over the investee company, unrealized profits and losses should all be eliminated; if the investor company has no controlling power, the unrealized profits and losses should be eliminated based on the investor’s percentage ownership interest in the investee. If the transaction is upstream (a sale to the investor), unrealized profits and losses should be fully eliminated regardless of whether the investor company has controlling power or not.

c. Consolidated financial statements are prepared if the Company owns more than 50% of the invested company’s shares. However, the financial statements of any subsidiary in which the total assets and total revenues for the current year are less than 10% of the Company’s total assets and revenues may be excluded from the company’s consolidated financial statements. If the sum of the total assets or revenues of all unconsolidated subsidiaries exceeds 30% of the Company’s assets or sales, each subsidiary with over 3% of sales or assets of the Company should be consolidated.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and facilities	5 to 20 years
Production equipment	4 to 5 years
Research and development equipment	5 years
Transportation equipment	5 years
Office furniture and fixtures	4 to 10 years
Leasehold improvements	5 years
Leased equipment	5 years

Improvements and replacements are capitalized and depreciated over their estimated useful lives while ordinary repairs and maintenance are expensed as incurred. Gains or losses resulting from the disposal of property, plant and equipment are presented under other income or expenses. Interest incurred associated with the additions of property, plant and equipment are capitalized until those assets are ready for use.

Lease agreements

Provided a lease agreement meets the capitalization criteria, the present value of the minimum lease payments, net of executory costs, are capitalized as an asset along with a corresponding liability. Leased equipment is depreciated using the straight-line method over the estimated useful life. The lease obligation is amortized over the lease term using the effective interest method. A lease that does not qualify as a capital lease is classified as an operating lease and the lease payments are recorded as rental expense.

Intangible Assets

Intangible assets are originally recorded at cost and amortized over their estimated useful lives using the straight-line method. Royalties and issuing costs of convertible bonds are amortized over the contracts’ lives and durations of the bonds, respectively. Computer software is amortized over three years, while other assets are over 1~5 years.

Revenue Recognition

Revenue is recognized in accordance with ROC Statement of Financial Accounting Standards No. 32, "Accounting for Revenue Recognition".

Capital Expenditures vs. Expenses

If the expenditure increases the future service potential of the plant assets and the purchase price exceeds a certain monetary threshold, the expenditure is capitalized, while the others are expensed as incurred.

Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases, including investment and research and development tax credits. A valuation allowance is provided based on the expected realizability of the deferred tax assets. Undistributed earnings generated after 1997 are subject to a 10% tax in compliance with the Income Tax Law of the ROC. The 10% tax on undistributed earnings is recorded as an expense at the time the shareholders resolve that its earnings shall be retained.

Income tax credits resulting from the acquisition of equipment, research and development expenditures, employee training and investment in equity stock shall be recognized using flow-through method.

Employee Retirement Benefits

The Company has a defined benefit pension plan covering substantially all of its employees. The plan provides for a lump sum payment upon retirement based on years of service and the employee’s compensation during the last six months of employment. In accordance with the Labor Standards Law of the ROC, the Company makes monthly contributions equal to 2 % of the wages and salaries which were paid during the period to a pension fund maintained with the Central Trust of China. On the basis of an actuarial report, the monthly contribution was changed in May 1996 to 5% of the wages and salaries paid. Effective from January 1, 2002, the Company was authorized to change the monthly contribution rate to 2%. The fund, established during 1990 to meet the employees’ retirement benefit entitlements, is administered by the Employees’ Retirement Fund Committee and is registered in the committee’s name. Therefore, the pension fund is not included in the financial statements of the Company.

The Company adopted, on a prospective basis, ROC Statement of Financial Accounting Standards NO.18, "Accounting for Pensions" in 1996. The Statement requires that the pension plan assets and the benefit obligations be determined on an actuarial basis. Based on the actuarial report with the measurement date of December 31,1995, the minimum pension liability was recorded for the excess of accumulated pension obligations over the fair value of plan assets. The Company has been recognizing the related net pension cost since January 1,1996. Net transition assets or obligations, prior service costs, and gains or losses from the plan assets are amortized using the straight-line method over the employees' average remaining service period of about twenty five years.

Financial Instruments

a. Foreign exchange forward contracts

A forward foreign exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified exchange rates for another currency on a specified date. The Company's forward contracts are designated as hedges; discounts or premiums, being the difference between the spot exchange rate and the forward exchange rate at the inception of the contract, are accreted or amortized to the statement of operations over the contract lives using the straight-line method. Realized gains and losses from settlement or unrealized gains and losses resulting from changes in the spot exchange rate at the balance sheet date are recorded in the statement of operations as foreign exchange gains or losses in the period in which they relate. The related amounts due to or from counter-parties are included in other current assets or other current liabilities.

b. Option contracts

At maturity the Company or the financial institution, depending upon which party has the right of the option, may exercise the option to receive a said amount denominated in one currency and pay a said amount in a different currency. The conversion rate is stated in the contract.

For options, premiums are amortized over the contract lives using the straight-line method. Gains and losses are dealt with in the statement of operations upon exercise.

c. Cross currency and interest rate swaps

Cross currency and interest rate swaps are entered into to hedge currency positions and interest rate variations related to foreign currency debts with floating interest rates. The difference between the spot rate at the contract date and the contracted forward rate is amortized over the life of the contract. Realized gains and losses from settlement or unrealized gains and losses resulting from changes in the spot exchange rate at the balance sheet date are recorded in the statement of operations as foreign exchange gains or losses in the period in which they relate.

The difference between the related floating interest rate and fixed interest rate at the balance sheet date is dealt with in the statement of operations. The realized gains and losses upon settlement are dealt with in the statement of operations.

d. Dual currency deposits

A structured deposit represents a deposit with an embedded currency option placed with a financial institution to earn higher interest income. At maturity the financial institution that accepts the deposit has an option to pay the remittance and the pre-determined accrued interest in the original currency or in an alternative currency based on the terms of the structured deposit contract.

The respective interest is accrued. The realized and unrealized gains and losses arising from the currency portion of the contracts are dealt with in the statement of operations in the period incurred.

e. Other derivative financial instruments

The Company has entered into other derivative financial instruments for trading and hedging purposes. The related gains and losses on hedging instruments are recorded in the statement of operations upon the exercise of the contracts or in the same period as the hedged transaction. The changes in the fair value of trading instruments are recorded in the period of change.

(Amounts in thousands except shares, per share and percentages)

Net income Per Common Share

In accordance with R.O.C. Statement of Financial Accounting Standards No.24, “Earnings per Share”, the Company presents basic earnings per share if a simple capital structure exists; or both basic earnings per share and diluted earning per share if a complex capital structure exists. Basic earnings per share is equal to the net income (loss) attributable to common stock divided by the weighted-average number of common shares. When calculating diluted earnings per share, the numerator should include or add back potential common stock dividends, interest and other conversion revenues (expenses). The denominator should include all potentially dilutive common shares.

Treasury Stock

In accordance with the R.O.C. Statement of Financial Accounting Standards No.30, “Accounting for Treasury Stock”, treasury stock is accounted for under the cost method. Under the cost method, the gross cost of shares reacquired is charged to treasury stock which is presented as a contra equity account in the financial statements. Any surplus or deficit on treasury stock transactions are credited or charged to capital reserves. In addition, effective from January 1, 2002, the Company’s shares owned by its subsidiaries were treated as treasury stock. Retroactive adjustments were not required.

3. Reason and Effect of a change in Accounting Policy

Effective from January 1, 2002, the Company’s shares owned by its subsidiaries were treated as treasury stock according to ROC SFAS No. 30, “Accounting for Treasury Stock”. The adoption of this statement reduced the net loss and loss per share for 2002 by NT$ 70,033 and NT$ 0.02, respectively. Long-term equity investments and shareholders’ equity decreased by NT$ 142,365.

4. Significant Accounts

(1)*Cash and Cash Equivelents*

	2002.12.31	2001.12.31
Petty Cash	$380	$421
Checking and saving accounts	5,603,963	1,469,836
Time deposits	1,025,330	8,242,836
Cash equivalents-short term papers	549,431	2,582,066
Total	$7,179,104	$12,295,159

(Amounts in thousands except shares, per share and percentages)

(2)*Notes Receivable*

	2002.12.31	2001.12.31
Notes receivable	$95,947	$68,798
Less: Allowance for doubtful accounts	-	(1,200)
Net	$95,947	$67,598

(3)*Accounts Receivable*

	2002.12.31	2001.12.31
Accounts receivable	$2,512,136	$2,191,912
Less: Allowance for sales returns and discounts	(14,378)	(84)
Allowance for doubtful accounts	(196,015)	(162,328)
Net	$2,301,743	$2,029,500

(4)*Receivables from Related Parties*

	2002.12.31	2001.12.31
Accounts receivable	$264,785	$382,863
Less: Allowance for doubtful accounts	(7,000)	(23,343)
Net	$257,785	$359,520

(5)*Inventories*

	2002.12.31	2001.12.31
Merchandise	$82,102	$16,343
Raw materials	229,587	361,175
Supplies	119,484	165,468
Work in process	8,038,324	8,287,710
Finished goods	2,328,591	1,561,708
Unallocated freight-in	483	578
Total	10,798,571	10,392,982
Less: Allowance for market value decline and obsolescence	(5,708,508)	(3,205,675)
Net	$5,090,063	$7,187,307

a. Inventories were not pledged.

b. The insurance coverage for inventories amounted to NT$6,500,000 and NT$9,955,903 as of December 31, 2002 and 2001, respectively.

(Amounts in thousands except shares, per share and percentages)

(6)*Long-Term Equity Investments*

	2002.12.31		2001.12.31	
	Amount	%	Amount	%
Accounted for under equity method:				
Macronix (BVI) Co., Ltd.	$2,210,493	100.00%	$2,520,342	100.00%
Kang Bao Investment, Ltd.	503,658	100.00%	507,655	100.00%
Run Hong Investment, Ltd.	494,891	100.00%	508,439	100.00%
HuivYing Investment, Ltd.	410,929	100.00%	414,883	100.00%
Macronix America, Inc.	157,331	100.00%	126,115	100.00%
Chaohong Electronic Co., Ltd.	49,948	100.00%	-	-
Prominent Communications, Inc.	65,864	35.23%	42,022	32.54%
Caesar Technology, Inc.	-	-	-	29.65%
Subtotal	3,893,114		4,119,456	
Accounted for under cost method:				
Chien Cheng Venture Capital Co., Ltd.	80,000	15.38%	80,000	15.38%
Quality Test System, Inc.	-	14.64%	-	14.64%
Ardentec Corporation	237,500	11.78%	237,500	11.78%
Chantek Electronic Co., Ltd.	-	3.72%	-	7.60%
United Industry Gas Co., Ltd.	58,500	3.38%	58,500	3.41%
Powertech Technology Inc.	83,135	2.99%	83,135	3.17%
Chipbond Technology Inc.	37,590	1.28%	37,590	1.28%
Taiwan Mask Corporation	81	-	81	-
Subtotal	496,806		496,806	
Prepaid Investment				
Honbond Venture Capital Co., Ltd.	120,000		-	
Macronix (BVI) CO., Ltd.	-		5,566	
Total	4,509,920		4,621,828	
Less：Allowance for market value decline	(979,081)		(647,618)	
Less：Treasury stock owned by subsidiaries	(142,365)		-	
Net	$3,388,474		$3,974,210	

a. The Company's stock owned by its subsidiary (Huiv Ying Investment, Ltd.) as of December 31, 2002 amounted to NT$142,365 (6,023,152 shares). This amount has been accounted for as treasury stock.

b. The Company recognized losses on the above long-term equity investments based on audited financial statements of the investee companies for 2002 and 2001, except for Caesar Technology, Inc., whose 2001 financial statements were unaudited as a result of being under liquidation. Total long-term equity investment losses recognized by the Company for 2002 and 2001 were NT$1,206,919 and NT$633,218, respectively.

c. The financial statements of the foreign investees accounted for under the equity method were translated into NT Dollars, which (decreased) increased the translation adjustments by NT$(49,067) and NT$163,086 in 2002 and 2001, respectively.

d. Caesar Technology, Inc. applied for formal compulsory liquidation in January, 2002. The Company wrote-off the entire book value of this investment in 2001.

e. The Company fully provided the investment cost after evaluating that there was a permanent diminution in value in the investment of Quality Test System, Inc.

f. The Company fully provided the investment cost after evaluating that there was a permanent diminution in value in the investment of Chantek Electronic Co., Ltd. Chantek Electronic Co., Ltd. applied for a financial restructuring to the Hsinchu District Court in December 2001. However, in August 2002, the company revoked the application.

g. The auditors of Biomorphic VSLI, Inc. (an investee of Macronix (BVI) Co., Ltd.) included a “going concern” emphasis paragraph in their audit reports accompanying the financial statements of 2002 and 2001. In addition, the auditors of Prominent Communication Inc. also included a “going concern” emphasis paragraph in their audit reports accompanying the financial statements of 2001. However, the above effect to the Company is not material.

h. Long-term equity investments were not pledged.

i. Consolidation is not required as the ROC 10% and 30% exemption rules are not applicable.

(Amounts in thousands except shares, per share and percentages)

(7)*Property, Plant and Equipment*

a. The total interest payments (including capitalized interest) in 2002 and 2001 amounted to NT$1,530,268 and NT$1,229,118, respectively. Interest was capitalized on the following property, plant and equipment accounts:

Item	2002	2001
Property, Plant and Equipment		
Buildings and facilities	$86,929	$28,609
Production equipment	276,741	124,764
Total	$363,670	$153,373
Effective interest rates	5.59%	6.23%

b. The insurance coverage for property, plant and equipment amounted to NT$59,680,105 and NT$59,610,733 as of December 31, 2002 and 2001, respectively.
c. Please refer to note 6 “ Assets Pledged As Collateral ” for a summary of those assets included in property, plant and equipment that have been used as security for loans.

(8)*Short-Term Debts*

	2002.12.31	2001.12.31
Letter of credit loans		
Due within 180 days with variable interest rates	$696,176	$-

a. The Company’s unused short-term lines of credit amounted to NT$15,075,526 and NT$17,678,428 as of December 31, 2002 and 2001, respectively.

b. The interest rates of short-term debts ranged from 2.0719% to 2.48% as of December 31, 2002.

c. There were no assets pledged as collateral for short-term debts as of December 31, 2002.

(Amounts in thousands except shares, per share and percentages)

(9) *Long-term Debts*

	Interest rate		Amount	
Secured	2002.12.31	2001.12.31	2002.12.31	2001.12.31
Loan from one bank, repayable in 21 quarterly installments from May 1998 to May 2003 with variable interest rates…	5.64%	6.35%	$38,000	$114,000
Medium term loans from 7 banks, repayable in 10 semi-annual installments from December 1998 to June 2003 with variable interest rates, fully repaid before maturity……………………………………	-	0.775% ~0.8092%	-	844,349 (¥3,167,100,000)
Medium term loans from one bank, repayable in 96 monthly installments from May 1999 to April 2007 with variable interest rates……………………………………..	5.695%	6.525%	189,800	233,600
Medium term loan from 14 banks, repayable in 19 quarterly installments from July 1999 to January 2004 with variable interest rates.	2.525%~ 5.635%	3.025% ~7.6%	3,181,570 (Include USD68,120,000)	4,938,036 (Include USD101,680,000)
Medium term loan from one bank, repayable in 156 monthly installments from May 2003 to April 2016 with variable interest rates………….	5.695%	6.655%	889,000	889,000
Medium term loan from one bank, repayable in 8 semi-annual installments with variable interest rates……………………..	3.00%	4.00%	150,000	225,000
Medium term loan from one bank, repayable in 8 semi-anual installments with variable interest rates………………..	6.7%	8.62%	50,000	75,000
Medium term loan from one bank, repayable in 17 quarterly installments from April 2002 with variable interest rates………….	5.365%	6.475%	329,410	400,000
Medium term loan from one bank, repayable in 8 semi-annual installments from June 2003 with variable interest rates…………..	5.025%	5.150%	400,000	400,000
Medium term loan from 20 banks, repayable in 10 semi-annual installments from March 2005 with variable interest rates…………	2.854%	-	3,000,000	-

(Amounts in thousands except shares, per share and percentages)

Total	8,227,780	8,118,985
Less: current portion	(2,157,640)	(2,877,581)
Net	$6,070,140	$5,241,404

a. The Company’s unused long-term lines of credit amounted to NT$9,000,000 and NT$12,000,000 as of December 31, 2002 and 2001, respectively.

b. Please refer to note 6 for “Assets Pledged As Collateral ” for long-term debts.

(10) *Capital Lease Obligations*

The Company entered into an equipment lease agreement with Caesar Technology, Inc. in 1999. The lease term was from May 1, 1999 to April 30, 2005. The equipment should, upon expiration of the agreement, belong to the Company. Cost of the equipment amounted to NT$24,946. The lease obligation was repayable in 24 quarterly installments from May 31, 1999 to April 30, 2005. However, Caesar Technology, Inc. was formally placed in liquidation in January, 2002. As of April 30, 2002, the Company’s capital lease obligations to Caesar Technology, Inc. amounted to NT$13,958. On August 14, 2002, the Company entered into a settlement with Caesar Technology, Inc. requiring the Company to pay NT$3,215 to acquire the ownership of the equipment, and Caesar Technology should waive its right to claim the remaining capital lease obligations.

In 2001, the Company entered into another lease agreement with Nintendo for equipment with a cost of NT$1,750,658. The lease term is from July 31, 2001 to June 30, 2005. During the lease period, the Company is not allowed to modify or sublease the equipment. Upon the expiry of the agreement, the ownership of the equipment shall be unconditionally transferred to the Company. Lease obligations are repayable in 36 monthly installments from July 31, 2002 to June 30, 2005.

Future obligations resulting from such leases are as follows:

Year	2002.12.31
2003	$671,840
Less: unrealized interest expense	(45,982)
Current portion	625,858
2004	671,840
2005	335,920
Subtotal	1,007,760
Less: unrealized interest expense	(27,235)
Lease obligations - long-term	980,525
Total lease obligations	$1,606,383

(Amounts in thousands except shares, per share and percentages)

Year	2001.12.31
2002	$416,668
Less: unrealized interest expense	(94,734)
Current portion	321,934
2003	675,707
2004	675,707
2005	337,852
Subtotal	1,689,266
Less: unrealized interest expense	(73,638)
Lease obligations - long-term	1,615,628
Total lease obligations	$1,937,562

Please refer to note 6 for “Assets Pledged As Collateral ” for those leased assets pledged as security.

(11) *Debentures*

	2002.12.31	2001.12.31
CB I	$3,200,000	$-
Secured II	3,000,000	3,000,000
ECB II	2,780,000	2,796,000
ECB III	2,505,370	5,554,324
ECB IV	5,880,534	-
Add: Reserve for redemption of convertible bonds	1,485,945	1,300,952
Total	18,851,849	12,651,276
Less: current portion of debentures	(5,285,371)	-
Less: Current portion of compensation interest payable	(1,278,417)	-
Net	$12,288,061	$12,651,276

a. The Company issued five-year unsecured domestic convertible bonds (“CB I”) on December 12, 2002. Main terms of the issue are as follows:

(a) Total amount NT$3,200,000. As of December 31, 2002, no bonds have been converted.

(b) The interest rate at par: 0%.

(c) Redemption at maturity/Redemption at the option of the Company

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and canceled, the Company will redeem each bond at its redemption amount on the maturity date.

(ii) Redemption at the option of the Company

The bonds may be redeemed, in whole or in part, at the option of the Company at any time on or after March 13, 2003 and prior to November 1, 2007 at an early redemption price, ranging from 100% to 103.75% of the principal amount, if (i) the closing price of the Company's shares for each of the 30 consecutive trading days is at least 150% of the conversion price then in effect; or (ii) the bonds outstanding are less than 10% of the issue amount.

(d) Redemption at the option of the bondholders

The Bonds are redeemable at the option of the bondholders, in whole or in part, at 110.07% and 115.87% of par from 30 days before December 11, 2005 and December 11, 2006, respectively.

(e) Conversion period/Conversion price and adjustment

(i) Subject to certain exceptions, conversion may be made at any time on or after March 12, 2003 and ten days before maturity.

(ii) The conversion price was NT$11 per share at the issue date. However, the conversion price will be subject to adjustments in the event that changes occur to the capital structure. As of December 31, 2002 the conversion price was NT$11 per share.

(f) Place of trading: Taiwan

b. On October 29, 2001, the Company issued five-year secured bonds amounting to NT$3,000,000 with a stated interest rate of 3.3%. The interest expense is payable annually and the bonds are to be repaid in full at maturity.

c. The Company issued five-year secured overseas convertible bonds ("ECB II") on May 5, 1998. Main terms of the issue are as follows:

(a) Total amount US$150,000. As of December 31, 2002, US$70,000 of ECB II has been converted.

(b) The interest rate at par: 0%.

(c) Type of debentures: Secured convertible bonds, guaranteed by standby letters of credit issued by banks.

(d) Redemption at maturity/Redemption at the option of the Company

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and canceled, the Company will redeem each bond at its redemption amount on the maturity date.

(ii) Redemption at the option of the Company

The Company may redeem the bonds at any time beginning three years after the issue date in accordance with the agreement.

(e) Redemption at the option of the bond holders:

The Bonds are redeemable at the option of the bondholders, in whole or in part, on May 5, 2003 at 129.775% of par.

(f) Conversion period/Conversion price and adjustment

(i) Subject to certain exceptions, conversion may be made at any time after the 30th day following the initial issuance of the bonds up to April 2003.

(ii) The conversion price was NT$53.7280 per share at the issue date. However, the conversion price will be subject to adjustments in the event that changes occur to the capital structure. As of December 31, 2002 the conversion price was NT$23.4226 per share.

(g) Places of trading: U.S.A., Europe and Asia (except Taiwan)

d. The Company issued five-year unsecured overseas convertible bonds (“ECB III”) on February 1, 2000. Major terms of issue are as follows:

(a) Total amount US$200,000. As of December 31, 2002, US$41,078 of ECB III has been converted. During 2002, the Company repurchased and cancelled US$86,825 of ECB III from market. The related debt extinguishment loss of NT$45,144 was included in other expense account. In addition, during the period from January 1, 2003 to March 5, 2003, the Company repurchased and redeemed, under the request of bondholders, US$71,802 of ECB III from the market.

(b) Method of interest payment and redemption on the maturity date: 1.0% per annum, net of a 20% withholding tax. Interest was paid on February 1 and August 1 each year. On the maturity date, the bondholder may present the bonds to the Company for repayment of principal and interest on the bonds in cash.

(c) Redemption at maturity/Redemption at the option of the Company

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and canceled, the Company will redeem each bond at its redemption amount on the maturity date.

(ii) Redemption at the option of the Company

The Company may redeem the bonds at any time beginning two years after the issue date in accordance with the agreement.

(d) Redemption at the option of the bond holders:

The bonds are redeemable at the option of the bondholders, in whole or in part, on February 1, 2003 at 121.422% of par.

(e) Conversion period/Conversion price and adjustment

(i) Subject to certain exceptions, conversion may be made at any time after the 30th day following the initial issuance of the bonds up to January 1, 2004.

(ii) The conversion price was NT$69 per share at the issue date. However, the conversion price will be subject to adjustments in the event that changes occur to the capital structure. As of December 31, 2002 the conversion price was NT$ 41.3505 per share.

(f) Places of trading: U.S.A., Europe and Asia (except Taiwan)；listed on the Luxembourg Stock Exchange.

e. The Company issued five-year unsecured overseas convertible bonds (“ECB IV”) on February 7, 2002. Major terms of issue are as follows:

(a) Total amount US$169,224. As of December 31, 2002, no bonds have been converted.

(b) Method of interest payment and redemption on the maturity date: 0.5% per annum. Interest will be paid on February 7 each year. On the maturity date, the bondholder may present the bonds to the Company for repayment at 116.372% of the principal amount and interest on the bonds in cash.

(c) Redemption at maturity/Redemption at the option of the Company

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and canceled, the Company will redeem each bond at its redemption amount on the maturity date.

(ii) Redemption at the option of the Company

The Company may redeem the bonds at any time beginning three years after the issue date in accordance with the agreement.

(d) Redemption at the option of the bondholders:

The bonds are redeemable at the option of the bondholders, in whole or in part, on August 9, 2004 at 107.845% of par.

(e) Conversion period/Conversion price and adjustment

(i) Subject to certain exceptions, conversion may be made at any time after the 30th day following the initial issuance of the bonds up to January 8, 2007.

(ii) The conversion price was NT$31.32 per share at the issue date. However, the conversion price will be subject to adjustments in the event that changes occur to the capital structure. As of December 31, 2002 the conversion price was NT$28.4727 per share.

(f) Places of trading: U.S.A., Europe and Asia (except Taiwan); listed on the Luxembourg Stock Exchange.

(Amounts in thousands except shares, per share and percentages)

(12) *Capital Stock*

As of January 1, 2001, the Company's authorized and issued common shares amounted to NT$35,000,000 and NT$24,744,091, divided into 3,500,000,000 and 2,474,409,144 shares at NT$10 par value, respectively.

On April 19, 2001, the Company's shareholders resolved in the annual general meeting to increase the authorized share capital to NT$45,000,000. In addition, the shareholders also resolved to declare a 30% stock dividend (742,322,744 shares) and an issuance of 142,610,725 common shares in settlement of the 2000 employee bonus which resulted in the total issuance of 884,933,469 common shares.

The Company has two stock option plans ("2001 plan" and "2002 plan") that provide for the granting of options to qualified employees for the purchase of the Company's common shares at the market price of the grant date. Stock options expire in six years from the date granted and vest over service periods that range from two to four years. The Company is authorized to grant options for up to 80,000,000 shares and 170,000,000 shares under 2001 plan and 2002 plan, respectively. As of December 31, 2002, no stock option has been exercised. Please also refer to Note 10.

On May 30, 2002, the Company's shareholders resolved in the annual meeting to increase the authorized share capital to NT$53,500,000, divided into 5,350,000,000 shares (including 450,000,000 shares reserved for future exercises of stock options). In addition, the shareholders also resolved to declare a 10% stock dividend which resulted in the issuance of 331,934,262 common shares.

As of December 31, 2002, the Company's authorized and issued common shares amounted to NT$53,500,000 and NT$36,912,769, divided into 5,350,000,000 shares (including 450,000,000 shares reserved for future exercises of stock options) and 3,691,276,875 shares at NT$10 par value, respectively.

(13) *Capital Reserve*

	2002.12.31	2001.12.31
Additional paid-in capital	$2,630,621	$5,949,964
Gain on disposal of property, plant and equipment	-	16,360
Recognition of an investee's capital reserve	356	-
Total	$2,630,977	$5,966,324

According to ROC Company Law, the capital reserve can only be used for making up deficiencies or distributions of stock dividends. The Company shall not use the capital reserve to make up its loss unless the legal reserve is insufficient for making good such losses.

On May 31, 2002, the Company’s shareholders resolved in the annual meeting to transfer a gain of $16,360 earned on disposal of property, plant and equipment to retained earnings.

(14) *Legal Reserve*

According to the ROC Company Law, 10% of the Company's net income, after deducting previous years' losses, if any, is appropriated as legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. When the legal reserve is equal to 50% of the paid-in capital, 50% of such reserve may be distributed to the Company's shareholders through the issuance of additional common shares.

(15) *Income Distributions*

a. The Company's articles of incorporation, revised on May 3, 2000, provide that the net income, after deducting the previous years' losses and the appropriation to the legal reserve ("Distributable Earnings"), may be appropriated or distributed proportionally as follows:

(a) Dividend to shareholders at 83% of Distributable Earnings;
(b) Employee bonuses at 15% of Distributable Earnings; and
(c) Remuneration for directors and supervisors' services at 2% of Distributable Earnings.

Distributions, except for the remuneration for directors and supervisors which must be made in cash, may be made in cash, in the form of common shares or a combination thereof, as determined by the shareholders at the annual general meeting of the Company's shareholders. The Company articles of incorporation provide that no more than 20% of any distribution to shareholders and employees may be in cash and employee bonuses will be distributed in the same form as the distribution of dividends to shareholders on a proportionate basis. Further, with the approval of the shareholders at such meeting, the dividend and bonuses may be held wholly or partially as retained earnings for distribution in future years.

(Amounts in thousands except shares, per share and percentages)

Employees eligible for employees’ bonuses include qualified employees of affiliated companies. Such qualification terms were set by the board.

Distributions are not deductible in the determination of taxable income.

b. Information related to employees’ bonuses and remuneration for directors and supervisors’ services, which were approved by the board of directors’ and the shareholders’ annual meetings, is accessible on the website of Taiwan Stock Exchange Corporation.

(16) *Treasury Stock*

a. Based on the reviewed financial statements of the Company for the nine months ended September 30, 2002, the maximum shares that the Company is allowed to repurchase were 335,934,000 shares. The Company repurchased 40 million shares for NT$1,046,071 as of December 31, 2002.

b. According to the Stock Exchange Regulations of Taiwan, total shares repurchased shall not exceed 10% of the Company’s issued stock. Total repurchased amounts shall not exceed the sum of retained earnings and the realized capital reserve.

c. In accordance with the Stock Exchange Regulations of Taiwan, treasury stock shall not be pledged, nor does it possess voting rights or receive dividends.

d. Effective from January 1, 2002, the Company’s shares owned by its subsidiaries were treated as treasury stock. The treasury stock transactions in 2002 are as follows：

	2002.1.01		Additions		Disposals			2002.12.31		
Subsidiary	Shares	Amount	Shares	Amount	Shares	Amount	Selling price	Shares	Amount	Market Value
Huiv Ying Investment, Ltd.	5,475,593	$142,365	-	-	-	-	-	6,023,152	$142,365	$72,332
								(note)		

(note) Huiv Ying Investment, Ltd. received a 2002 stock dividend of 547,559 shares from the Company.

(Amounts in thousands except shares, per share and percentages)

(17) *Basic Earnings Per Share*

The capital structure of the Company is considered to be complex due to the issuance of convertible bonds and stock options. Nevertheless, the Company only presented basic earnings per share for 2002 and 2001 because the potential common shares had an anti-dilutive effect if they had been fully converted. The weighted average number of common shares outstanding is computed below:

	2002	2001
Number of common shares outstanding as of January 1	3,359,342,613	2,474,409,144
Capital reserve and retained earnings transferred to common stock on May 28, 2001 (2,474,409,144 shares times 20% plus 2,474,409,144 shares times 10%)	-	742,322,744
Employee bonus converted to common shares on May 28, 2001	-	142,610,725
Weighted-average number of treasury stock	(26,205,248)	-
Capital reserve transferred to common stock (3,333,137,365 shares*10%)	333,313,737	-
Retroactive adjustments:		
Capital reserve transferred to common stock (3,359,342,613 shares*10%)	-	335,934,261
Subtotal	3,666,451,102	3,695,276,874
Less: Treasury stock owned by subsidiaries	(6,023,152)	-
Weighted-average number of shares (A)	3,660,427,950	3,695,276,874

2002：

	Amount (numerator)			Earning (loss) per share	
	Before tax	After tax	Shares (denominator)	Before tax	After tax
Basic EPS					
Net loss	$(11,356,663)	$(11,356,663)	3,660,427,950	$(3.10)	$(3.10)

2001：

Basic EPS					
Net income	$50,520	$(866,480)	3,695,276,874	$0.01	$(0.23)

(Amounts in thousands except shares, per share and percentages)

Assuming that the Company's shares owned by its subsidiaries were not treated as treasury stock for 2002, the loss per share would be as follows:

	Amount (numerator)		Shares	Net loss per Share	
	Before tax	After tax	(Denominator)	Before tax	After tax
Basic EPS					
Net loss	$(11,426,696)	$(11,426,696)	3,666,451,102	$(3.12)	$(3.12)

(18) *Income Taxes*

a. The Company is entitled to an income tax exemption period of four consecutive years on income generated from qualifying manufacturing high technology activities. The Company elected the tax exemption period to be from January 1, 2001 through December 31, 2004.

b. The Company's unused investment tax credits are as follows：

Year incurred	Unused amount	Year expired
1998	$1,160,243	2003
1999	121,285	2004
2000	1,138,922	2005
2001	1,645748	2006
Total	$4,018,852	

Such tax credits were included in Deferred Income Tax Assets.

c. As of December 31, 2002, the 2002 loss carryforwards of $ $8,976,608 are available up to 2007 to reduce future taxable income. Such amount was included in Deferred Income Tax Assets.

d. The Company's income tax returns through 1997 have been examined by the tax authorities. The tax authorities of Taiwan ruled out that the Company shall pay additional taxes of NT$93,246, NT$132,914, NT$91,916 and NT$39,677 for 1997, 1996, 1995 and 1994, respectively. The Company, after filing for reexamination, has accrued such amounts in the financial statements. In addition, the tax authorities have re-examined the Company's income tax return of 1996 and ruled out that the Company shall pay additional tax of NT$114,585. After paying half of such amount, the Company has filed for an appeal.

(Amounts in thousands except shares, per share and percentages)

e. Deferred tax assets and liabilities as of December 31, 2002 and 2001 were as follows:

	2002	2001
(a)Total deferred tax liabilities	$298,974	$536,015
(b)Total deferred tax assets	$7,004,253	$3,929,884
(c)Valuation allowance for deferred tax assets	$4,788,133	$1,476,723

(d)Temporary differences that generated deferred tax assets or liabilities:

	2002		2001	
	Amount	Tax effect	Amount	Tax effect
Recognition of depreciation expense	$(3,265,476)	$(253,074)	$(3,447,040)	$(536,015)
Recognition of unrealized inventory provision	$5,730,772	$444,135	$3,223,820	$501,304
Recognition of unrealized investment losses	$2,197,372	$170,296	$995,814	$154,849
Recognition of unrealized royalty expense	$672,604	$52,127	$852,367	$132,543
Recognition of unrealized allowance for bad debts	$176,901	$13,710	$166,666	$25,917
Recognition of unrealized foreign exchange gains	$(592,256)	$(45,900)	$-	$-
Recognition of unrealized foreign exchange losses	$152,947	$11,854	$736,081	$114,461
Others	$22,995	$1,782	$136,991	$21,302
Loss carryforwards	$8,976,608	$2,244,152	$-	$-
Investment tax credits		$4,066,198		$2,979,508

	2002	2001
(e)Deferred tax assets - current	$1,671,997	$1,336,806
Valuation allowance for deferred tax assets - current	(1,160,243)	(613,186)
Net deferred tax assets - current	511,754	723,620
Deferred tax liabilities - current	(45,900)	-
Net deferred tax assets and liabilities - current	$465,854	$723,620

	2002	2001
Deferred tax assets - non-current	$5,332,257	$2,593,078
Valuation allowance for deferred tax assets - non-current	(3,627,891)	(863,537)
Net deferred tax assets - non-current	1,704,366	1,729,541
Deferred tax liabilities - non-current	(253,074)	(536,015)
Net deferred tax assets and liabilities - non-current	$1,451,292	$1,193,526

(Amounts in thousands except shares, per share and percentages)

	2002	2001
(f)Income taxes payable from continuing operations	$-	$-
Tax (benefit) expense from recognition of depreciation expense	(282,941)	166,356
Tax expense (benefit) from recognition of unrealized inventory provision	57,169	(368,845)
Tax expense (benefit) from recognition of unrealized royalty expense	80,416	(65,292)
Tax expense (benefit) from recognition of unrealized allowance for bad debts	12,207	(1,352)
Tax benefit from recognition of unrealized investment losses	(15,447)	(50,439)
Tax expense from recognition of unrealized foreign exchange gains	45,900	-
Tax expense (benefit) from recognition of unrealized foreign exchange losses	102,608	(11,301)
Tax benefit from investment credits	(1,086,690)	49,724
Tax expense from valuation allowance	3,311,410	1,234,434
Tax benefit from loss carryforwards	(2,244,152)	-
Accruals for additional prior year income tax	-	58,879
Others	19,520	(95,164)
Income tax expense	$-	$917,000

(g)Information related to imputation of shareholders' income taxes	2002	2001
Available shareholders' tax credits	$110,810	$109,752
Expected (Actual) ratio of shareholders' tax credits	-	3.42%

(h)Information related to undistributed retained earnings	2002	2001
After 1998 (inclusive)	$(9,469,175)	$2,249,996

(19) *Pension Fund*

The components of the 2002 and 2001 net pension cost are as follows:

	2002	2001
Service Cost	$114,324	$100,021
Interest Cost	30,577	25,349
Expected return on plan assets	(25,010)	(28,193)
Amortization and deferred revenue	4,394	1,487
Net pension cost	$124,285	$98,664

(Amounts in thousands except shares, per share and percentages)

The actuarial assumptions were as follows:

	2002	2001
Discount rate	4.0%	5.0%
Salary increase	3.5%	4.5%
Expected long-term rate of return on plan assets	4.0%	5.0%

The funding status of the Company's pension plan at December 31, 2002 and 2001 is as follows:

	2002.12.31	2001.12.31
Pension obligation		
Vested benefit obligation	$-	$-
Nonvested benefit obligation	(397,536)	(291,447)
Accumulated benefit obligation	(397,536)	(291,447)
Effect of future payment increases	(367,091)	(389,883)
Projected benefit obligation	(764,627)	(681,330)
Plan assets at fair value	589,501	535,118
Plan assets less than projected benefit obligation	(175,126)	(146,212)
Unrecognized net transition obligation	55,659	58,751
Unrecognized prior service cost	28,108	29,410
Unrecognized net loss(gain)	(13,835)	33,518
Over-accrual	(13,614)	(6,095)
Included under accrued expenses	3,388	7,924
Accrued Pension Cost	$(115,420)	$(22,704)

The balances of Employees' Retirement Fund amounted to NT$589,501and NT$534,770 as of December 31, 2002 and 2001, respectively.

(20) *Sales revenue*

	2002	2001
Revenue from sales of manufactured products	$15,555,844	$21,274,406
Revenue from trading of merchandise	489,352	69,340
Service revenue	34,459	75,945
Royalty revenue	3	815
Others	145,891	185,521
Total	16,225,549	21,606,027
Less：Sales returns and sales discount	(150,393)	(245,306)

Net sales revenue	$16,075,156	$21,360,721

5. Related Party Transactions

(1) Related Parties and Relationships

Related parties	Relationship
Macronix America, Inc. (“MXA”)	The Company's equity investee
Macronix(BVI)Co., Ltd. (“BVI”)	The Company's equity investee
HuivYing Investment, Ltd. (”HuivYing”)	The Company's equity investee
Caesar Technology, Inc. (”Caesar”)	The Company's equity investee (note)
Prominent Communications, Inc. (”Prominent”)	The Company's equity investee
Wedgewood International Ltd. (”Wedgewood”)	BVI's equity investee
New Trend Technology Inc. (“NTTI”)	BVI's equity investee
Macronix Europe, NV. (“MXE”)	BVI's equity investee
Biomorphic VLSI, Inc. (“Biomorphic”)	BVI's equity investee
Macronix Pte Ltd. (“MPL”)	BVI's equity investee
Tower Semiconductor Ltd. (“Tower”)	BVI is represented on Tower‘s board of directors.
FueTrek Co., Ltd.(“FueTrek”)	BVI is represented on FueTrek’s board of directors.
Raio Technology Co., Ltd. (“Raio”)	HuivYing is represented on Raio’s board of directors.
United Industry Gas Co., Ltd. (“UIG”)	The Company is UIG’s supervisor.
Chantek Electronic Co., Ltd. (“Chantek”)	The Company was represented on Chantek’s board of directors before October 29, 2001.
Powertech Technology Inc.(“Powertech”)	The Company is represented on Powertech’s board of directors.
Ardentec Corporation (“Ardentec”)	The Company is represented on Ardentec’s board of directors.
Chiao Tung Bank	Chao Tung Bank was represented on the Company’s board of directors before November 26, 2002.

(note) Caesar Technology, Inc. was formally placed in liquidation in January, 2002.

(Amounts in thousands except shares, per share and percentages)

(2) Major Transactions with Related Parties

a. Sales to related parties were as follows:

Related party	2002	2001
MXA	$1,036,424	$1,412,148
MXE	344,885	633,198
Raio	158,194	88,721
Prominent	155,923	-
Biomorphic	15,298	9,749
Total	$1,710,724	$2,143,816

Sales prices to MXA and MXE are approximately 88% of arm's length customers' sales prices. Sales prices to Prominent, Biomorphic and Raio are not comparable with those of regular customers because they are the only providers for the products that the Company produces for them.

The general collection terms with related parties are 45-60 days, which is similar to regular customers.

b. Expenses paid to related parties were as follows:

Related parties	Account	2002	2001
MXA	Selling expenses	$141,055	$72,181
BVI	Selling expenses	95,772	93,156
MPL	Selling expenses	13,641	13,243
NTTI	Research and development expenses	91,570	72,462
Total		$342,038	$251,042

c. The Company sold fixed assets to New Trend Technology Inc. in March 2001 at a book value of NT$6,266.

(Amounts in thousands except shares, per share and percentages)

d. Manufacturing processing charges from related parties for the years ended December 31, 2002 and 2001 were as follows:

Related parties	2002	2001
Ardentec	$240,686	$108,329
Powertech	172,778	106,263
Caesar	-	240,003
Chantek	-	103,873
Total	$413,464	$558,468

Such charges form a part of cost of goods sold.

e. The Company purchased industrial gases from UIG totaling NT$109,940 and NT$119,137 for 2002 and 2001, respectively. Such purchases form a part of cost of goods sold.

f. The Company purchased wafers from Tower totaling NT$136,047 and NT$157,263 for 2002 and 2001, respectively. Such purchases form a part of cost of goods sold.

g. Merchandise purchased from related parties were as follows:

Related parties	2002	2001
Prominent	$404,717	$232
Biomorphic	46,716	3,300
Raio	13,863	2,653
Total	$465,296	$6,185

j. The Company entered into an IP License Agreement with FueTrek in 2002. Total amount of this agreement was NT$10,050 (JPY34,300) and remained unpaid as of December 31, 2002.

(Amounts in thousands except shares, per share and percentages)

(3) Receivables and payables resulting from the above transactions as of December 31, 2002 and 2001 were as follows:

a. Accounts Receivable

Related parties	2002.12.31	2001.12.31
MXA	$105,555	$269,103
MXE	51,653	55,467
Prominent	33,237	3
Raio	27,498	10,198
UIG	21,200	-
BVI	3	31,493
Others	25,639	16,599
Total	264,785	382,863
Less：Allowance for doubtful accounts	(7,000)	(23,343)
Net	$257,785	$359,520

b. Accounts Payable

Related parties	2002.12.31	2001.12.31
Powertech	$60,292	$38,414
MXA	35,725	3,048
Prominent	32,091	-
Ardentec	31,255	24,290
NTTI	22,403	22,586
Tower	17,070	11,183
BVI	15,173	19,931
UIG	8,517	10,290
Caesar	-	28,538
Chantek	-	20,321
Other	10,125	2,060
Total	$232,651	$180,661

c. As of December 31, 2002, the Company has prepaid Biomorphic NT$29,646 for the purchase of merchandise. Such amount was included in prepaid expenses.

(4) The board of directors provided authority to the Company to act as guarantor (not exceeding USD154,000) for loans and derivative financial instrument transactions of its subsidiaries and equity investees. As of December 31, 2002 and 2001, the guaranteed amounts were as follows:

(Amounts in thousands except shares, per share and percentages)

Related parties	2002.12.31	2001.12.31
BVI	USD19,000	USD36,000
Wedgewood	85,000	55,000
Biomorphic	3,400	3,400
Total	USD107,400	USD94,400

(5) Please refer to note 4(9) for the Company's long-term loan agreement with Chiao Tung Bank.

(6) Please refer to note 4(10) for the Company's capital lease agreement with Caesar.

6. Assets Pledged As Collateral

The Company's assets pledged as collateral for security for foreign labor, customs clearance deposits, compensated deposits, secured loans and capital leases as of December 31, 2002 and 2001 were as follows:

Accounts	2002.12.31	2001.12.31
Restricted investments-current	$3,034,823	$34,000
Restricted investments-non-current	260,625	1,721,801
Property, plant and equipment	14,986,581	16,197,916
Total	$18,282,029	$17,953,717

7. Commitments And Contingencies

The Company's commitments and contingencies, not included in the financial statements, as of December 31, 2002 were as follows:

a. Letters of credit issued for future deliveries of inventories and equipment totaled approximately NT$1,114,272.

b. The Company's significant construction and machinery contracts totaled approximately NT$14,907,493. The Company has paid NT$11,765,939 pursuant to these contracts as of December 31, 2002.

c. Operating Leases:

The Company entered into several operating lease contracts for land with the administrative office of the Hsinchu Science-Based Industrial Park .The lease terms are from 1990 to 2020. Future lease payments under the lease are NT$64,064 each year for 2003 through 2007, NT$287,174 in total for 2008 through 2012, NT$124,712 in total for 2013 through 2017, and NT$3,739 in total for 2018 through 2020.

d. According to agreements, entered into between and by the Company and several banks including Chiao Tung Bank, medium term loan from 14 banks and medium term loan from 20 banks for purchasing automation machinery, the Company is required to issue new shares of capital for cash if the debt to equity ratio is greater than 1.2, or if ratio of current assets to current liabilities does not exceed 1.00.

e. In accordance with a loan agreement for purchasing machinery and equipment for Fab II entered into by the Company and several banks including Bank of America, the Company should : (a) maintain a current ratio of no less than 100 percent; (b) maintain a debt ratio of no more than 100 percent; and (c) maintain a debt service coverage ratio of no less than 2.2.

On June 27, 2002, the Company and Bank of America agreed to amend the above loan agreement to the extent that the Company shall only maintain a current ratio of no less than 100 percent and is free of the other financial covenants noted in the previous paragraph.

f. (i)On February 18, 1997, Atmel Corporation (”Atmel") filed a legal action against MXA, one of the Company’s subsidiaries, with the International Trade Commission(“ITC”) for violation of Atmel’s patent No. 903. On June 1, 2001, the ITC issued a Notice of Final Determination and ruled again that MXA did not infringe the 903 patent. Atmel filed a petition to the ITC to reverse its non-infringement finding. On July 26, 2001, the ITC denied Atmel’s petition for reconsideration. The 903 patent expired on September 14, 2001. Atmel did not appeal the final determination therefore is bound by the ITC’s finding that MXA did not infringe the 903 patent.

(ii) In August 1997, Atmel filed another legal action against MXA for violation of Atmel’s patents No. 096 and 747. The first patent is a patent similar to the one in issue with the ITC. The second relates to manufacturing processes used by the Company. MXA applied for summary judgment for both patents. The Court has granted MXA’s motion for summary judgment against three of the four asserted claims of the 096 patent, leaving only one claim to be litigated on the 096 patent. On January 14, 2002, the Court issued an order denying Atmel’s motion to correct inventorship of the 747 patent. Based on that order, MXA has sought a ruling of invalidity of the 747 patent due to incorrect inventorship, and is awaiting the Court’s decision. There is no set trial date. In light of the results to date, the Company believes that there will be no significant impact on its operations or financial position related to this dispute.

8. Significant Disaster Losses

No significant disasters occurred during the period.

9. Significant Subsequent Events

Issuance of convertible bonds

The Company issued five-year unsecured overseas zero coupon convertible bonds ("ECB V") on February 10, 2003. Major terms of issue are as follows:

(a) Total amount US$90,000.

(b) Redemption at maturity/Redemption at the option of the Company

(i)Redemption at maturity

Unless previously redeemed, converted or purchased and canceled, the Company will redeem each bond at its redemption price equal to 100% of the outstanding principal amount on the maturity date.

(ii)Redemption at the option of the Company

The Company may redeem the bonds at any time on or after November 11, 2003 and prior to August 10, 2004 (the "First Optional Redemption Period"), and any time on or after August 11, 2004 and prior to February 10, 2008 (the "Second Optional Redemption Period"), at a price equal to the Early Redemption Amount (as defined in the offering circular) of the principal amount, if the Company's common stock closing price translated into U.S. dollars at the prevailing rate for a period of 30 consecutive days is at least, in the case of the First Optional Redemption Period, 125%, and in the case of the Second Optional Redemption Period, 120%, of the conversion price in effect on each such trading day translated into U.S. dollars at the fixed exchange rate of NT$34.66=US$1. The Company may also redeem the bonds, in whole but not in part, at any time prior to February 10, 2008 at the Early Redemption Amount, if at least 90% of the bonds have already been redeemed , repurchased and cancelled, or converted.

(iii)Redemption at the option of the bondholders:

The bonds are redeemable at the option of the bondholders, in whole or in part, on February 10, 2004, February 10, 2005, February 10, 2006 and February 10, 2007 at the redemption price equal to 100%, 102%, 104% and 106% of the outstanding principal amount, respectively.

(c) Conversion period/Conversion price and adjustment

a. Subject to certain exceptions, conversion may be made at any time on or after March 12, 2003 and on or before January 11, 2008. The initial conversion price is NT12.06 per share, subject to adjustments in the event that changes occur to the capital structure.

10. Financial Instruments

a. Contract Amount or Nominal Amount and Credit Risk:

	2002.12.31		2001.12.31	
Financial instrument	Contract amount or Nominal amount	Credit risk	Contract amount or Nominal amount	Credit risk
Forward currency exchange contract-hedging	-	-	¥1,251,538	-
Purchased options-hedging	-	-	¥4,574,400	-
Written option-hedging	-	-	¥2,874,600	-
Cross currency interest rate swaps-hedging	USD4,000	-	USD8,000	-

Credit risk amount represents forward exchange contracts with a positive fair value factoring in the offsetting effect of the master netting arrangement as of balance sheet date. If the credit risk amount is positive and the transaction party breaches the contract, the Company will incur a loss. The possibility of incurring a loss is remote since the Company's counter parties are reputable financial institutions.

b. Market Value Risk

Market value risk is insignificant due to the fact that the purpose of the forward exchange contract, option contracts and cross currency swaps are hedging and the gain or loss from fluctuations of interest or exchange rates will be offset by the gain or loss from the underlying assets or liabilities denominated in foreign currencies.

c. Liquidity Risk

No significant cash flow risks are expected as the exchange rate on the forward contracts is fixed, and the Company expects to have sufficient Japanese Yen assets to meet the cash requirements.

d. Types of derivative financial instruments, purpose of holding the derivative financial instruments and the strategy for achieving the hedging purpose:

The Company's derivative financial instruments are entered into mainly for hedging purposes. The purpose of holding forward exchange contracts, option contracts and cross currency swaps is to hedge exchange rate fluctuation risks resulting from assets, liabilities or commitments denominated in foreign currency. The Company's hedging strategy is to mitigate its market price risk. Derivative financial instruments selected for hedging purposes are reviewed and anti-co-related with the fluctuation of the fair value of derivatives hedged. Derivatives are evaluated periodically.

e. Presentation of derivative financial instruments

Forward exchange contracts receivable and payable are reported under current assets or liabilities on a net basis if any right of offset exists. As of December 31, 2002, the balances were as follows (in NT$):

	Contract Receivables
Forward contract receivables	$139,000
Forward contract payables	(118,372)
Premium	(203)
Forward contract receivables (payables)-net	$20,425

(i) The amount of the above forward and the cross currency swap contracts classified under other current assets amounted to NT$20,425.

(ii) Foreign exchange loss incurred in 2002 amounted to NT$69,557 which was reported under other expenses.

(iii) Gains and losses related to option contracts are dealt with in the statement of operations upon exercise.

(Amounts in thousands except shares, per share and percentages)

f. Fair value of financial instruments

	2002.12.31		2001.12.31	
	Carrying value	Fair value	Carrying value	Fair value
Non-derivative				
Assets				
Cash, cash equivalents and restricted investments	$10,474,552	$10,474,552	$14,050,960	$14,050,960
Notes and accounts receivable (including receivables from related parties)	2,655,475	2,655,475	2,456,618	2,456,618
Long-term investments –no market value available	4,329,884	4,329,884	4,616,181	4,616,181
Long-term investments –with market value	37,671	44,174	81	11,336
Liabilities				
Short-term debts	696,176	696,176	-	-
Payables	5,183,519	5,183,519	4,464,424	4,464,424
Long-term debts – with variable interest rates	8,227,780	8,227,780	8,118,985	8,118,985
Capital lease obligations (including current portion)	1,606,383	1,518,683	1,937,562	1,783,068
Bonds payable (including current portion)	3,000,000	3,051,224	-	-
Convertible debentures (including current portion)	15,851,849	16,081,148	12,651,276	10,283,592
Derivatives				
Hedging:				
(1)Asset				
Cross currency interest rate swaps	20,425	20,895	62,830	64,882
Foreign exchange forwards	-	-	3,271	3,795
Options	-	-	-	21,310
(2)Liabilities				
Foreign exchange forwards	-	-	2,572	(2,676)

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

(i) The fair value of the Company’s short-term financial instruments is based on the book value of those instruments at the reporting date due to the short maturity of those instruments. The method applies to cash and cash equivalents, restricted investments, receivables, payables and short-term debts.

(Amounts in thousands except shares, per share and percentages)

(ii) The fair value of the Company's marketable securities is based on the market prices at the reporting date if the market prices are available. The fair value of the Company's marketable securities is based on financial data or any other information if market prices are not available.

(iii) The fair value of the Company's long-term borrowings bearing variable interests, which includes current portion of long-term debt, is estimated using the book value of the debt at the reporting date.

(iv) The fair value of long-term borrowings bearing fixed interest rates, bonds payable and convertible bonds payable is based on the market prices at the reporting date if the market prices are available or estimated using the discounted cash flow method based on the Company's borrowing rates for similar types of borrowings.

(v) The fair value of derivative financial instruments (normally includes unrealized gains or losses from outstanding forward exchange contracts) is assumed to be based on the amount that the Company is entitled to receive or obligated to pay if the Company terminated the contracts at the balance sheet date.

11. Stock Options

Grant Date	Total Shares Granted	Total Outstanding Options	Options Available to Be Exercised	Exercise Date	Exercise Price	Performance of Contract	Market Price	
							High	Low
2002.1.16	71,768,500	71,768,500	71,768,500	2004.1.16	22.8	Issuance of new shares	29.9	9.2
2002.5.6	560,000	560,000	560,000	2004.5.6	22.3	Issuance of new shares	29.9	9.2
2002.10.1	151,507,000	151,507,000	151,507,000	2004.10.1	11.5	Issuance of new shares	29.9	9.2
2002.12.16	16,449,040	16,449,040	16,449,040	2004.12.16	11.7	Issuance of new shares	29.9	9.2

(Amounts in thousands except shares, per share and percentages)

12. Segment Information

a. Major Customers

Sales to customers representing over 10% of total sales were as follows:

	2002		2001	
Customers	NT$	%	NT$	%
MCC	$6,022,198	37.11%	$9,181,228	42.49%
Mitsubishi	379,412	2.34%	2,556,058	11.83%
Total	$6,401,610	39.45%	$11,737,286	54.32%

b. Export sales

The Company's export sales accounted for 81% and 73% of the total sales of 2002 and 2001, respectively.

c. Geographic data

The Company has no significant foreign operations.

d. Industry data

The Company operates principally in one industry segment, which being designing, manufacturing and supplying of integrated circuits and memory chips.

13. Comparative Date

Certain accounts in the 2001 financial statements of the Company have been reclassified to conform to the current year's presentation.