

CHIPMOS TECHNOLOGIES BERMUDA LTD
Form 6-K
September 02, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of September, 2003

ChipMOS TECHNOLOGIES (Bermuda) LTD.

(Translation of Registrant's Name Into English)

No. 1, R&D Road 1

Science-Based Industrial Park

Hsinchu, Taiwan

Republic of China

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

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Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____ .)

EXHIBITS

Exhibit Number

- 1.1 Interim financial statements as of and for the six months ended June 30, 2003 released by ChipMOS TECHNOLOGIES INC., our 70% owned subsidiary on August 31, 2003

ChipMOS TECHNOLOGIES INC.

Financial Statements for the Six Months Ended

June 30, 2003 and 2002

Together with Independent Auditor's Report

English Translation of a Report Originally Issued in Chinese

Independent Auditor's Report

August 21, 2003

The Board of Directors and the Shareholders

ChipMOS TECHNOLOGIES INC.

We have audited the accompanying balance sheets of ChipMOS TECHNOLOGIES INC. as of June 30, 2003, and the related statements of income, changes in shareholders' equity, and cash flows for the six months 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. The financial statements of ChipMOS TECHNOLOGIES INC. as of June 30, 2002 were unaudited and presented solely for comparative purpose.

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

As mentioned in Note 9 and Note 24 to the financial statements, the carrying values (net of credit balance) of the entire investments accounted for using the equity method amounted to \$763,530 thousand as of June 30, 2003, and the related investment loss amounted to \$93,266 thousand for the six months ended June 30, 2003, are based on unaudited financial statements of investee companies in the same period.

In our opinion, except for the effect of such adjustments, if any, as might have been disclosed had we audited the financial statements of investee companies as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of ChipMOS TECHNOLOGIES INC. as of June 30, 2003, and the results of its operations and its cash flows for the six months then ended in conformity with the Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China.

Moore Stephens

Taipei, Taiwan

Notice to Readers

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

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| INTANGIBLE ASSETS NET (Notes 2 and 11) | | | | |
|---|----------------------|-------------|----------------------|-------------|
| Technology know-how | 34,572 | 0.20 | 45,408 | 0.29 |
| Deferred charges | 28,139 | 0.17 | 28,213 | 0.18 |
| | <u>62,711</u> | <u>0.37</u> | <u>73,621</u> | <u>0.47</u> |
| Other Assets | | | | |
| Non-operating properties net (Notes 2 and 12) | 125,420 | 0.74 | 134,537 | 0.86 |
| Guarantee deposits | 14,943 | 0.09 | 13,831 | 0.09 |
| Pledged time deposits (Note 3) | 42,450 | 0.25 | 42,450 | 0.27 |
| | <u>182,813</u> | <u>1.08</u> | <u>190,818</u> | <u>1.22</u> |
| TOTAL ASSETS | \$ 16,957,640 | 100 | \$ 15,620,693 | 100 |

| | 2003 | | 2002 | |
|--|------------------|--------------|------------------|--------------|
| | Amount | % | Amount | % |
| (Unaudited) | | | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Bank loans (Note 13) | \$ 1,824,749 | 10.76 | \$ 1,253,741 | 8.03 |
| Commercial papers (Note 14) | | | 209,584 | 1.34 |
| Notes payable | | | 5,671 | 0.04 |
| Accounts payable (Note 4) | | | | |
| Related parties | 49,118 | 0.29 | | |
| Third party suppliers | 304,399 | 1.80 | 276,042 | 1.77 |
| Other payables related parties (Note 4) | 6,607 | 0.04 | 3,024 | 0.02 |
| Payable to contractors and equipment suppliers | 110,420 | 0.65 | 528,247 | 3.38 |
| Other current liabilities | 375,922 | 2.22 | 311,003 | 1.99 |
| Current portion of long-term liabilities (Note 15) | 360,379 | 2.12 | 878,000 | 5.62 |
| | <u>3,031,594</u> | <u>17.88</u> | <u>3,465,312</u> | <u>22.19</u> |
| Total Current Liabilities | 3,031,594 | 17.88 | 3,465,312 | 22.19 |
| LONG-TERM LIABILITIES | | | | |
| Bonds issued (Note 16) | 1,200,000 | 7.07 | 1,200,000 | 7.68 |
| Bank loans (Note 15) | 2,630,242 | 15.51 | 490,595 | 3.14 |
| | <u>3,830,242</u> | <u>22.58</u> | <u>1,690,595</u> | <u>10.82</u> |
| Total Long-Term Liabilities | 3,830,242 | 22.58 | 1,690,595 | 10.82 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 17) | 35,027 | 0.21 | 24,800 | 0.16 |
| Deferred income tax liability (Notes 2 and 20) | 215,017 | 1.27 | 199,995 | 1.28 |
| Guarantee deposits received | 509 | | 431 | |
| Deferred Credits | 99,516 | 0.59 | | |
| | <u>350,069</u> | <u>2.07</u> | <u>225,226</u> | <u>1.44</u> |
| Total Other Liabilities | 350,069 | 2.07 | 225,226 | 1.44 |
| Total Liabilities | 7,211,905 | 42.53 | 5,381,133 | 34.45 |
| STOCKHOLDERS EQUITY | | | | |
| Capital stock \$10 par value | | | | |
| Authorized 970,000 thousand shares | | | | |
| Issued 887,227 thousand shares in 2003 and 2002 | 8,872,272 | 52.32 | 8,872,272 | 56.80 |
| Capital surplus (Notes 9 and 18) | | | | |
| Paid-in capital in excess of par value | 2,084,757 | 12.29 | 2,084,757 | 13.35 |
| Treasury stock transactions | 1,057 | 0.01 | | |
| Retained earnings (Note 19) | | | | |
| Legal reserve | 424,007 | 2.50 | 424,007 | 2.71 |

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| | | | | |
|---|----------------------|--------------|----------------------|--------------|
| Accumulated deficit | (1,634,526) | (9.64) | (1,141,111) | (7.31) |
| Cumulative translation adjustments | (2,430) | (0.01) | (365) | |
| Treasury stock (Note 9) | 598 | | | |
| Total Stockholders' Equity | 9,745,735 | 57.47 | 10,239,560 | 65.55 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 16,957,640 | 100 | \$ 15,620,693 | 100 |

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

(With Moore Stephens report dated August 21, 2003)

English Translation of Financial Statements Originally Issued in Chinese

ChipMOS TECHNOLOGIES INC.

STATEMENTS OF INCOME

For the Six Months Ended June 30, 2003 and 2002

(In Thousand of New Taiwan Dollars, Except Amounts Per Share)

| | 2003 | | 2002 | |
|---|--------------|---------|--------------|-------------|
| | Amount | % | Amount | % |
| | | | | (Unaudited) |
| PRODUCT SALES (Notes 2) | \$ 3,827,873 | 101.05 | \$ 2,999,096 | 100.56 |
| SALES RETURNS AND DISCOUNTS | (39,735) | (1.05) | (16,593) | (0.56) |
| NET PRODUCT SALES | 3,788,138 | 100.00 | 2,982,503 | 100.00 |
| COST OF PRODUCTS SOLD | (3,379,225) | (89.21) | (3,214,866) | (107.79) |
| GROSS INCOME (LOSS) | 408,913 | 10.79 | (232,363) | (7.79) |
| OPERATING EXPENSES | | | | |
| Research and development | 135,173 | 1.65 | 195,660 | 1.08 |
| General and administrative | 102,841 | 2.71 | 86,562 | 2.90 |
| Marketing | 62,611 | 3.57 | 32,128 | 6.56 |
| Total Operating Expenses | 300,625 | 7.93 | 314,350 | 10.54 |
| INCOME (LOSS) FROM OPERATIONS | 108,288 | 2.86 | (546,713) | (18.33) |
| NON OPERATING INCOME | | | | |
| Interest | 43,600 | 1.15 | 19,260 | 0.65 |
| Rent | 18,315 | 0.48 | 16,619 | 0.56 |
| Investment income recognized by equity method-net | | | 2,026 | 0.07 |
| Gain on sales of investments | 2,529 | 0.07 | 41,642 | 1.40 |
| Gain on disposal of property, plant and equipment | 49,504 | 1.31 | | |
| Foreign exchange gains net | 5,778 | 0.15 | | |
| Other | 24,710 | 0.65 | 14,962 | 0.49 |
| Total Non-Operating Income | 144,436 | 3.81 | 94,509 | 3.17 |

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

| | | | | |
|---|------------------|---------------|---------------------|----------------|
| NON-OPERATING EXPENSES | | | | |
| Interest | \$ (124,346) | (3.28) | \$ (123,290) | (4.13) |
| Provision for losses on investments | | | (95,060) | (3.19) |
| Investment loss recognized by equity method net | (93,266) | (2.46) | | |
| Foreign exchange losses net | | | (24,297) | (0.81) |
| Loss on disposal of property, plant and equipment | (944) | (0.03) | | |
| Other | (12,876) | (0.34) | (12,242) | (0.42) |
| Total Non-Operating Expenses | (231,432) | (6.11) | (254,889) | (8.55) |
| INCOME (LOSS) BEFORE INCOME TAX | 21,292 | 0.56 | (707,093) | (23.71) |
| INCOME TAX EXPENSE (Notes 2 and 20) | (7,761) | (0.20) | (65,950) | (2.21) |
| NET INCOME (LOSS) | \$ 13,531 | 0.36 | \$ (773,043) | (25.92) |

| | 2003 | | 2002 | |
|---------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNING (LOSS) PER SHARE | (Unaudited) | | | |
| Basic earning (loss) per share | \$ 0.02 | \$ 0.02 | \$ (0.80) | \$ (0.87) |

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

(With Moore Stephens report dated August 21, 2003)

English Translation of Financial Statements Originally Issued in Chinese

ChipMOS TECHNOLOGIES INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

For the Six Months Ended June 30, 2003 and 2002

(In Thousand of New Taiwan Dollars)

| | CAPITAL STOCK | CAPITAL SURPLUS | RETAINED EARNINGS | | TREASURY STOCK | EQUITY ADJUSTMENTS | TOTAL STOCKHOLDERS EQUITY |
|---|---------------------|---------------------|-------------------|--|-------------------|---|---------------------------------|
| | | | Legal Reserve | Unappropriated Earnings (Accumulated Deficit) | | Cumulative Translation Adjustment | |
| BALANCE, JANUARY 1, 2002 | \$ 8,872,272 | \$ 2,090,889 | \$ 424,007 | \$ (374,200) | \$ | \$ (687) | \$ 11,012,281 |
| Net loss for the six months ended June 30, 2002 | | | | (773,043) | | | (773,043) |
| Transfer of capital surplus to offset accumulated deficit | | (6,132) | | 6,132 | | | |
| Translation adjustments of investees | | | | | | 322 | 322 |
| BALANCE, JUNE 30, 2002 (Unaudited) | \$ 8,872,272 | \$ 2,084,757 | \$ 424,007 | \$ (1,141,111) | \$ | \$ (365) | \$ 10,239,560 |
| BALANCE, JANUARY 1, 2003 | \$ 8,872,272 | \$ 2,085,814 | \$ 424,007 | \$ (1,648,057) | \$ 598 | \$ (734) | \$ 9,733,900 |
| Net income for the six months ended June 30, 2003 | | | | 13,531 | | | 13,531 |
| Translation adjustments of investees | | | | | | (1,696) | (1,696) |
| BALANCE, JUNE 30, 2003 | \$ 8,872,272 | \$ 2,085,814 | \$ 424,007 | \$ (1,634,526) | \$ 598 | \$ (2,430) | \$ 9,745,735 |

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

(With Moore Stephens report dated August 21, 2003)

English Translation of Financial Statements Originally Issued in Chinese

ChipMOS TECHNOLOGIES INC.

STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2003 and 2002

(In Thousand of New Taiwan Dollars)

| | <u>2003</u> | <u>2002</u> |
|---|------------------|----------------|
| | | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 13,531 | \$ (773,043) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,291,114 | 1,367,855 |
| Amortization | 20,188 | 84,714 |
| Bad debt losses | 29,635 | |
| Financial expenses | 7,577 | 7,383 |
| Sales discounts and allowance | 4,092 | |
| Provision (Reversal) of allowance for loss on short-term investments | (3,750) | 95,060 |
| Reversal of allowance for inventory valuation losses | (31,827) | (20,439) |
| Gain on sales of investments | (2,529) | (41,642) |
| Investment loss (income) recognized by equity method | 93,266 | (2,026) |
| Gain on disposals of property, plant and equipment | (47,980) | |
| Accrued pension cost | 8,833 | 5,594 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Notes receivable | 20,308 | (75,158) |
| Notes receivable related parties | (96) | (129,896) |
| Accounts receivable | (407,559) | (242,104) |
| Accounts receivable related parties | 102,935 | 180,423 |
| Inventories | (48,881) | (43,771) |
| Other accounts receivable related parties | (292,440) | (15,666) |
| Prepaid expenses and other current assets | 20,865 | (38,052) |
| Deferred income taxes | 3,648 | 50,247 |
| Increase (decrease) in: | | |
| Notes and accounts payable | 159,047 | 161,628 |
| Accounts payable related parties | 49,118 | |
| Other accounts payable related parties | 2,948 | 463 |
| Other liabilities | 75,593 | |
| Accrued expenses and other current liabilities | 2,442 | 21,230 |
| Net Cash Provided by Operating Activities | <u>1,070,078</u> | <u>592,800</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property, plant and equipment | (1,125,718) | (793,592) |
| Short-term investment | (3,013,249) | (2,475,110) |

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| | | |
|----------------------|-----------|----------|
| Long-term investment | (604,331) | |
| Intangible assets | (39,945) | (11,856) |
| Other assets | | (310) |

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

| | | |
|--|-----------------------------|-----------------------------|
| Proceeds from disposals of: | | |
| Short-term investment | \$ 2,725,758 | \$ 2,343,938 |
| Property, plant and equipment | 206,221 | |
| Decrease (Increase) in pledged time deposits | 17,450 | (35) |
| Decrease (Increase) in guarantee deposits | (1,104) | 752 |
| Increase in pledged short-term notes | (1,097) | (41,461) |
| | <u> </u> | <u> </u> |
| Net Cash Used in Investing Activities | (1,836,015) | (977,674) |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from (payments of): | | |
| Short-term bank loans | (207,882) | 186,979 |
| Commercial paper | (159,427) | 209,584 |
| Long-term bank loans | (172,974) | (580,816) |
| Increase in guarantee deposits received | 48 | 102 |
| | <u> </u> | <u> </u> |
| Net Cash Used in Financing Activities | (540,235) | (184,151) |
| | <u> </u> | <u> </u> |
| NET DECREASE IN CASH AND CASH IN BANK | (1,306,172) | (569,025) |
| CASH AND CASH IN BANK, BEGINNING OF YEAR | 1,963,381 | 1,174,253 |
| | <u> </u> | <u> </u> |
| CASH AND CASH IN BANK, END OF YEAR | \$ 657,209 | \$ 605,228 |
| | <u> </u> | <u> </u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid (excluding capitalization) | \$ 159,372 | \$ 162,347 |
| | <u> </u> | <u> </u> |
| Income tax paid | \$ 6,839 | \$ 38,812 |
| | <u> </u> | <u> </u> |
| Non-cash investing and financing activities: | | |
| Current portion of long-term liabilities | \$ 360,379 | \$ 878,000 |
| | <u> </u> | <u> </u> |
| Credit balances of long-term investments presented as part of other receivables from related parties | \$ 8,039 | \$ 10,313 |
| | <u> </u> | <u> </u> |
| Reclassification of long-term investments into short-term investments | \$ 218,098 | \$ |
| | <u> </u> | <u> </u> |
| Cash paid for acquisitions of properties: | | |
| Total acquisitions | \$ 1,077,388 | \$ 963,082 |
| Payable to contractors, beginning of year | 158,750 | 358,757 |
| Payable to contractors, end of year | (110,420) | (528,247) |
| | <u> </u> | <u> </u> |
| | \$ 1,125,718 | \$ 793,592 |
| | <u> </u> | <u> </u> |

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

(With Moore Stephens report dated August 21, 2003)

ChipMOS TECHNOLOGIES INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are in Thousand of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

The Company was incorporated on July 28, 1997 as a joint venture company of Mosel Vitelic, Inc. (MVI) and Siliconware Precision Industries Co. Ltd. (SPIL). Its operations, which began on August 12, 1997, consist of research, development, manufacturing, testing, and assembly of integrated circuits. The Company also provides semiconductor testing and assembly services on a turnkey basis, in which the Company purchases fabricated wafers and sells tested and assembled semiconductors to application and system manufacturers.

On January 12, 2001, the holders of an aggregate of 583,419 thousand common shares of the Company executed a Purchase and Subscription Agreement whereby they transferred their shares to ChipMOS TECHNOLOGIES (Bermuda) LTD. (ChipMOS Bermuda) in exchange for 58,342 thousand newly issued common shares of ChipMOS Bermuda. The selling shareholders, who previously held in an aggregate 70.25% of the outstanding common shares of the Company, thus, became the holders of the entire outstanding common shares of ChipMOS Bermuda. As of June 30, 2003, ChipMOS Bermuda owned 70.34% of the outstanding common shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements were prepared in conformity with Guide -lines for Securities Issuers Financial Reporting, Commercial Accounting Law, accounting principles generally accepted in ROC, other relevant laws and regulations.

The Company's significant accounting policies are summarized as follows:

Classification in the balance sheet

A year is used to classify assets/liabilities as current or non-current in the balance sheet.

Cash equivalents

Bonds acquired under resale agreements with original maturity dates of less than three months are classified as cash equivalents.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan Dollars, or when foreign-currency receivables or payables are settled, are credited or charged to income in the year of conversion or settlement. On the balance sheet dates, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates and the resulting differences are charged to current income except those foreign currency denominated investments in shares of stock where such differences are accounted for as translation adjustments under stockholders' equity.

Revenue recognition

Sales are recognized when titles of products and risks of ownerships are transferred to customers, primarily upon shipment.

Short-term investments

These investments are stated at the lower of cost or market value. Costs of investments sold are determined using the weighted-average method.

Allowance for doubtful receivables

Allowance for doubtful accounts is provided based on evaluation of the collectibility of the receivables evaluated based upon the overall financial condition and payment history of the individual customers as well as the age of the receivables.

Sales and allowances for sales returns and discounts

Sales are recognized upon shipment of products to customers. Allowances for sales returns and discounts are provided based on experience; such provisions are deducted from sales and the related costs of products are deducted from cost of products sold.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual weighted average cost) or market value. Market value represents replacement cost for raw materials and net realizable value for other inventories.

Investments in shares of stock

Investments in shares of stock of companies wherein the Company exercises significant influence on their operating or financial decisions are accounted for using the equity method. Under the equity method, the investment are initially carried at cost and subsequently adjusted for the proportionate equity of the Company in the net income or net loss of the investees. The difference between the costs of the investment and the Company's proportionate share in the net assets of the investees at the date of acquisition is amortized using the straight-line method over five years. Such amortization is recognized as a component of Equity in net income or net loss of investee companies' account shown in the statements of income.

The Company will discontinue its recognition of its equity in the net loss of the investees when the carrying value of the investment (including advances) is reduced to zero. However, in cases where the Company guarantees the obligations or is committed to provide further financial support to an investee company, or if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability in the foreseeable future, then, the Company continues to recognize its share in the net loss of the investees. The resulting credit balances of the long-term investments are presented as part of other receivable from related parties.

Translation adjustments resulting from the process of translating the investees' financial statements into the functional currency of the Company are recorded as cumulative translation adjustments in the statement of changes in shareholders' equity.

The entire amount of the gains or losses on sales to majority owned subsidiaries are deferred until such gains or losses are realized through the subsequent sale of the related products to third parties. The gains or losses on the sales made by the majority owned subsidiaries to the Company are deferred by the Company to the extent of its equity interest in such subsidiaries until such gains or losses are realized also through the subsequent sale of the related products to unrelated parties. On the other hand, the gains or loss arising from the transactions between more than 20% owned investee companies is deferred in proportion to the ownership percentage in the investee company that recognizes the gains or losses until realized through transactions with third parties.

Other investments in shares of stock are accounted for at costs. A decline in value is accounted for as follows:

- a. Stock with quoted market prices. The temporary decline in market values and the reversal of such declines are included in stockholders' equity. However, other than temporary decline in the value of the investment is charged to current income.
- b. Stock with no quoted market prices. A reduction that is other than a temporary decline in the carrying value of the investment is charged to current income.

Cash dividends received in the year the investment is made are accounted for as reduction in the carrying value of the investment while cash dividends received in subsequent years are recognized as investment income. No investment income is recognized on stock dividends received.

The costs of investments sold are determined using the weighted average method.

Property, plant and equipment and non-operating properties

Property, plant and equipment and non-operating properties are stated at cost less accumulated depreciation. Major additions, renewals and betterment are capitalized, while maintenance and repairs are expensed currently.

The initial estimate of the service lives of the property, plant and equipment is as follows: Machinery and equipment, 1 to 5 years; buildings and auxiliary equipment, 1 to 54 years; furniture and fixtures, 1 to 5 years; tooling, 1 to 2 years; transportation equipment, 5 years; and leasehold improvements, 1 to 2 years. The foregoing service lives plus one year to represent the estimated salvage value are used to depreciate the property, plant and equipment using the straight-line method. The carrying value of property, plant and equipment, which were fully depreciated using the foregoing service lives, but are still being used by the Company are depreciated over their remaining estimated service lives.

Upon sale or disposal of items of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Intangible assets

Intangible assets are amortized using the straight-line method over the following periods: Technology know-how, 5 years; technology license fee, and deferred charges, 1 to 5 years; bond issuance cost are amortized using the average method.

Pension costs

Pension costs are recorded based on actuarial calculations. Unrecognized net transition obligation is amortized over 15 years.

Income tax

The Company adopts inter-period income tax allocation method. Deferred income tax assets are recognized for the tax effects of deductible temporary differences, unused tax credits, and operating loss carryforwards and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred tax assets that are not certain to be realized. A deferred tax asset or liability is classified as current or noncurrent based on the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, then it is classified as current or noncurrent based on the expected reversal dates of the temporary difference.

Any tax credit arising from the purchase of machinery, equipment and technology, research and development expenditures, personnel training, investments in important technology-based enterprise are recognized by the flow-through method.

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

Income taxes (10%) on unappropriated earnings generated are recorded as expense in the year when the stockholders have effectively resolved that earnings shall be retained.

Derivative financial instruments

Foreign currency forward exchange contracts (forward contracts), entered into for purposes other than trading, are recorded as follows: the differences in the New Taiwan dollar amounts translated using the spot rates as of the contract date and the amounts translated using the contracted forward rates are amortized over the terms of the forward contracts using the straight-line method. At the balance sheet dates, the receivables or payables arising from forward contracts are restated using the prevailing spot rates and the resulting differences are recognized in income. Also, the receivables and payables related to the forward contract are netted and the resulting net amount is presented as either an asset or liability.

The aggregate amount of the foreign currency to be acquired or sold under European option contracts, entered into as hedge of anticipated transactions, is not recorded as assets or liabilities. The amounts received on options written and the amounts paid on options purchased are amortized using the straight-line method over the term of the contract. The gains arising from the exercise of the options or the losses arising from options not exercised are recognized as adjustments to the carrying values when the hedged transaction occurs.

Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2002 have been reclassified to conform to the financial statements as of and for the six months ended June 30, 2003.

3. PLEDGED OR MORTGAGED ASSETS

The following assets are pledged or mortgaged as collaterals to secure the customs duties obligations, short-term loans, long-term loans and secured bonds of the Company as well as obligations of related companies:

| Item | June 30 | |
|-----------------------------------|---------------------|---------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Buildings and auxiliary equipment | \$ 1,150,694 | \$ 1,277,792 |
| Machinery and equipment | 3,495,353 | 1,636,938 |
| Other current assets: | | |
| Time deposits | 16,968 | 233,012 |
| Short-term notes | 602,841 | 600,872 |
| Other assets: | | |
| Time deposits | 42,450 | 42,450 |
| | <u>\$ 5,308,306</u> | <u>\$ 3,791,064</u> |

4. RELATED PARTY TRANSACTIONS

a. The Company has transactions with the following related parties:

ChipMOS Bermuda: A 70.34% owned shareholder.

SPIL: A 28.73% owned shareholder.

MVI: An indirect 32.76% owned shareholder.

ChipMOS Japan Inc.: A 100% owned subsidiary.

ChipMOS USA Inc.: A 100% owned subsidiary.

PlusMOS: A 25% owned investee.

ThaiLin: A 41.78% owned investee.

Chantek: A 34% owned investee.

Advanced Micro Chip: Same president.

Ultima: The president of the Company is a member of board of directors of Ultima (resigned in June 2003).

ProMOS Technologies Inc.: An investee of MVI.

DenMOS: An investee of MVI.

Best Home: A 19.91% owned investee; the Company is a major shareholder.

Chantek International: The president of the Company is a member of board of directors of Chantek International.

Sun Fund: A 16.67% owned investee; the company is a major shareholder.

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

| | 2003 | | 2002 | |
|-----------------------------|------------|-------|------------|-------|
| | Amount | % | Amount | % |
| At end of six months | | | | |
| (Unaudited) | | | | |
| Other receivables | | | | |
| ChipMOS Bermuda | \$ 158,572 | 36.51 | \$ 102,013 | 82.71 |
| ChipMOS USA Inc. | 20,455 | 4.71 | 24,840 | 20.14 |
| Ultima | 38 | 0.01 | | |
| ThaiLin | 65,032 | 14.97 | | |
| Chantek | 420 | 0.09 | | |
| MVI | 9,731 | 2.24 | 234 | 0.19 |
| ChipMOS Japan Inc. | 6,599 | 1.52 | 6,439 | 5.22 |

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| | | | | |
|--|-------------------|---------------|-------------------|---------------|
| DenMOS | 4,325 | 0.99 | 118 | 0.10 |
| Chantek International | 92,784 | 21.36 | | |
| Advanced Micro Chip | 113,403 | 26.11 | | |
| PlusMOS | 183 | 0.04 | | |
| ProMOS | 506 | 0.12 | | |
| | <u>472,048</u> | <u>108.67</u> | <u>133,644</u> | <u>108.36</u> |
| Less : Credit balance of long-term investments | (8,039) | (1.85) | (10,313) | (8.36) |
| Less : Allowance for doubtful receivable | (29,635) | (6.82) | | |
| | <u>\$ 434,374</u> | <u>100.00</u> | <u>\$ 123,331</u> | <u>100.00</u> |
| Notes receivable | | | | |
| ThaiLin | \$ 96 | 0.94 | \$ | |
| Ultima | | | 129,896 | 55.37 |
| | <u>\$ 96</u> | <u>0.94</u> | <u>\$ 129,896</u> | <u>55.37</u> |

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| | | | | |
|--|---------------------|---------------|---------------------|---------------|
| Accounts receivable | | | | |
| MVI | \$ 647,612 | 32.32 | \$ 619,079 | 40.43 |
| Ultima | 273,711 | 13.66 | 357,843 | 23.37 |
| PlusMOS | 6,109 | 0.30 | 4,787 | 0.31 |
| DenMOS | 87,341 | 4.36 | 39,149 | 2.56 |
| ProMOS | 3 | | | |
| ThaiLin | 1,713 | 0.09 | | |
| | <u>\$ 1,016,489</u> | <u>50.73</u> | <u>\$ 1,020,858</u> | <u>66.67</u> |
| Prepaid meal expenses Best Home | | | | |
| | <u>\$ 216,000</u> | | <u>\$ 216,000</u> | |
| Accounts payable | | | | |
| SPIL | \$ 49,118 | 13.89 | \$ | |
| Other payables | | | | |
| ChipMOS USA Inc. | \$ 1,294 | 19.59 | \$ 1,290 | 42.66 |
| MVI | 2,242 | 33.93 | 888 | 29.36 |
| ChipMOS Japan Inc. | 772 | 11.69 | 797 | 26.36 |
| PlusMOS | 8 | 0.12 | | |
| SPIL | 2,197 | 33.25 | | |
| Chantek | 94 | 1.42 | | |
| DenMOS | | | 49 | 1.62 |
| | <u>\$ 6,607</u> | <u>100.00</u> | <u>\$ 3,024</u> | <u>100.00</u> |
| Accrued expenses | | | | |
| Sun Fund | \$ 46 | 0.01 | \$ 46 | 0.01 |
| For the period | | | | |
| Product sales | | | | |
| MVI | \$ 1,472,056 | 38.86 | \$ 1,024,632 | 34.35 |
| Ultima | 467,304 | 12.34 | 790,659 | 26.51 |
| PlusMOS | 3,973 | 0.10 | 3,030 | 0.10 |
| ProMOS | 514 | 0.01 | | |
| DenMOS | 198,740 | 5.25 | 52,723 | 1.77 |
| ThaiLin | 1,723 | 0.05 | | |
| | <u>\$ 2,144,310</u> | <u>56.61</u> | <u>\$ 1,871,044</u> | <u>62.73</u> |
| Rental revenue | | | | |
| MVI | \$ 2,400 | 13.11 | \$ 6,000 | 36.10 |
| DenMOS | 530 | 2.89 | 45 | 0.27 |
| ThaiLin | 8,118 | 44.33 | | |
| | <u>\$ 11,048</u> | <u>60.33</u> | <u>\$ 6,045</u> | <u>36.37</u> |
| Other income | | | | |
| Ultima | \$ | | \$ 305 | 2.04 |
| ThaiLin | 3,979 | 16.10 | | |
| | <u>\$ 3,979</u> | <u>16.10</u> | <u>\$ 305</u> | <u>2.04</u> |

(Forward)

| | | | | |
|--------------------------------------|------------------|--------------|------------------|--------------|
| Subcontract expenses | | | | |
| SPIIL | \$ 62,047 | 77.46 | \$ | |
| Chantek | | | 979 | 70.28 |
| | <u>\$ 62,047</u> | <u>77.46</u> | <u>\$ 979</u> | <u>70.28</u> |
| Administrative expenses | | | | |
| MVI | \$ 2,321 | 12.13 | \$ 2,321 | 17.97 |
| Marketing expenses commission | | | | |
| ChipMOS USA Inc. | \$ 10,656 | 55.88 | \$ 9,400 | 58.28 |
| ChipMOS Japan Inc. | 5,396 | 28.29 | 4,299 | 26.25 |
| | <u>\$ 16,052</u> | <u>84.17</u> | <u>\$ 13,699</u> | <u>84.53</u> |
| Service fee | | | | |
| Sun Fund | \$ 270 | 100.00 | \$ 270 | 100.00 |
| Rental expense | | | | |
| MVI | \$ 1,285 | 9.19 | \$ 1,286 | 7.79 |
| Chantek | 429 | 3.07 | | |
| | <u>\$ 1,714</u> | <u>12.26</u> | <u>\$ 1,286</u> | <u>7.79</u> |

As of June 30, 2003, the Company provided commercial paper acquired under repurchase agreements as collateral for a loan amounting \$600,000 (excluding the interest) obtained by Ultima.

In 2003, the Company sold machinery and equipment to Thailin and Chantek with the proceeds amounted to \$177,595 and \$200, and the gain on disposal of properties amounted to \$57,098 and \$200 respectively.

In 2003, the Company sold secured bonds issued by MVI to Advanced Micro Chip and Chantek International with the carrying value of \$110,000 and \$90,000 respectively. The interest revenue derived from the transaction was \$6,188. The payment term was quarterly installment commencing from August 25, 2003.

In 2002, the Company acquired the ownership of Sun Fund Securities Ltd. from Best Home Corp. The cost of investment was \$299,000 with 20,000 thousand shares.

5. CASH AND CASH IN BANK

| | June 30 | |
|--------------------------|----------------|--------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Petty cash | \$ 360 | \$ 380 |
| Checking account deposit | 305 | 681 |

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| | | |
|------------------|-------------------|-------------------|
| Demand deposit | 588,444 | 41,934 |
| Foreign deposits | 66,850 | 55,477 |
| Time deposits | 1,250 | 506,756 |
| | <u>588,444</u> | <u>41,934</u> |
| | <u>66,850</u> | <u>55,477</u> |
| | <u>1,250</u> | <u>506,756</u> |
| | <u>\$ 657,209</u> | <u>\$ 605,228</u> |

The time deposits interest rate ranged from 1.10 % to 2.20% and 1.53% to 4.155 % for the six months ended June 30, 2003 and 2002.

6. SHORT-TERM INVESTMENT

| | June 30 | |
|-------------------------------------|---------------------|-------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Stocks | \$ 460,514 | \$ |
| Fund | 891,204 | 900,343 |
| Repurchase note | 199,937 | |
| Less allowance for decline in value | (164,854) | |
| | <u>\$ 1,386,801</u> | <u>\$ 900,343</u> |
| Market value | <u>\$ 1,386,801</u> | <u>\$ 900,343</u> |

7. NOTES AND ACCOUNTS RECEIVABLE

| | June 30 | |
|--|---------------------|---------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Notes receivable related parties | \$ 96 | \$ 129,896 |
| third party | 10,166 | 104,700 |
| | <u>10,262</u> | <u>234,596</u> |
| Accounts receivable related parties | 1,016,489 | 1,020,858 |
| Less: allowances for doubtful accounts and sales discounts | (14,520) | |
| | <u>1,001,969</u> | <u>1,020,858</u> |
| Accounts receivable third party | 987,380 | 510,303 |
| Less: allowances for doubtful accounts and sales discounts | (21,919) | (17,490) |
| | <u>965,461</u> | <u>492,813</u> |
| | <u>\$ 1,977,692</u> | <u>\$ 1,748,267</u> |

8. INVENTORIES

June 30

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| | 2003 | 2002 |
|---------------------------|-------------------|-------------------|
| | | (Unaudited) |
| Finished goods | \$ 44,684 | \$ 53,897 |
| Work in process | 84,533 | 118,057 |
| Raw materials | 171,650 | 145,004 |
| Less allowance for losses | (54,781) | (80,494) |
| | <u>\$ 246,086</u> | <u>\$ 236,464</u> |

The insurance coverage amounted to \$163,979 and \$302,807 as of June 30, 2003 and 2002 respectively.

9. INVESTMENTS IN SHARES OF STOCK

| | June 30 | | | |
|--|---------------------|------------------------|-------------------|------------------------|
| | 2003 | | 2002 | |
| | Carrying Value | % of Owner- Ship | Carrying Value | % of Owner- Ship |
| | (Unaudited) | | | |
| Equity method: | | | | |
| Chantek electronic Co., Ltd. | \$ 90,305 | 34.00 | \$ | |
| ThaiLin Semiconductor Corp. | 610,772 | 41.78 | | |
| PlusMOS Technology Inc. | 42,143 | 25.00 | 54,434 | 25.00 |
| Advanced Micro Chip Technology Co., Ltd. | 28,349 | 29.43 | | |
| | <u>771,569</u> | | <u>54,434</u> | |
| Cost method: | | | | |
| Ultima Electronics Corp. | | | 218,098 | 7.71 |
| Best Home Corp. | 89,850 | 19.91 | | |
| Sun Fund Securities Ltd. | 299,000 | 16.67 | | |
| Mosel Vitelic Inc. | | | 147,356 | 0.41 |
| | <u>388,850</u> | | <u>365,454</u> | |
| Other Long-Term Investment | | | | |
| Convertible debt | 571,008 | | | |
| Credit balance of long-term investments (presented as part of other receivables) | | | | |
| ChipMOS Japan Inc. | (670) | 100 | (1,252) | 100 |
| ChipMOS USA Inc. | (7,369) | 100 | (9,061) | 100 |
| | <u>(8,039)</u> | | <u>(10,313)</u> | |
| | <u>\$ 1,723,388</u> | | <u>\$ 409,575</u> | |

The equity in net income or net loss are summarized as follows:

| | June 30 | |
|-----------------------------|-------------|--------|
| | 2003 | 2002 |
| | (Unaudited) | |
| ChipMOS Japan Inc. | \$ 237 | \$ 408 |
| ChipMOS USA Inc. | 1,436 | 461 |
| PlusMOS Technology Inc. | (9,421) | 1,157 |
| Chantek electronic Co. Ltd. | (27,010) | |
| ThaiLin Semiconductor Corp. | (55,267) | |

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Advanced Micro Chip Technology Co., Ltd.

(3,241)

\$ (93,266)

\$ 2,026

Accumulated translation adjustments consists of:

| Investees | June 30 | |
|----------------------------|------------|-------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| ChipMOS Japan Inc. | \$ 303 | \$ 342 |
| ChipMOS USA Inc. | (1,000) | (707) |
| Other long-term investment | (1,733) | |
| | (\$ 2,430) | (\$ 365) |

Certain changes on the shareholders' equity of Chantek Electronic Co., Ltd. were made due to its long-term investments. The Company made the adjustments on the equity according to its ownership to the respective accounts, which increased capital reserve and treasury stock by NT\$1,057 thousand and NT\$598 thousand; decreased unappropriated earning by NT\$7,210 thousand.

The difference between the costs of the investment on Chantek Electronic Co., Ltd, Thailin Semiconductor Corp. and Advanced Micro Chip Technology Co., Ltd. as well as the Company's proportionate share in the net assets of these investees at the date of acquisition is amortized using the straight-line method over five years.

In 2003, the Company reclassified its long-term investments on Ultima into short-term investment revalued at lower of cost or market value at transferal.

10. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consists of:

| | June 30 | |
|-----------------------------------|--------------|--------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Machinery and equipment | \$ 7,941,360 | \$ 6,526,506 |
| Buildings and auxiliary equipment | 856,470 | 651,407 |
| Furniture and fixtures | 174,483 | 137,964 |
| Tooling | 703,150 | 563,175 |
| Transportation equipment | 6,796 | 5,027 |
| Leasehold improvements | 1,238 | 1,238 |
| | \$ 9,683,497 | \$ 7,885,317 |

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The insurance coverage of the properties amounted to \$18,263,866 and \$13,774,859 as of June 30, 2003 and 2002 respectively. The capitalized interest for the six months ended June 30, 2003 was \$22,183, with the interest rate of 4.78% for capitalization.

11. INTANGIBLE ASSETS NET

| | June 30 | |
|---------------------|-----------------|--------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Technology know-how | \$ 34,573 | \$ 45,408 |
| Deferred charges | 28,138 | 28,213 |
| | \$62,711 | \$73,621 |

Pursuant to a Joint Venture Agreement entered into between MVI and SPIL on July 28, 1997, MVI and SPIL contributed, as payment for their subscription to shares of stock of the Company, technologies related to testing and packaging integrated circuits at an agreed valuation of NT\$750,000 thousand.

12. NON-OPERATING PROPERTIES NET

| | June 30 | |
|-------------------------------|-------------------|-------------------|
| | 2003 | 2002 |
| | (Unaudited) | |
| Buildings and structures | \$ 162,345 | \$ 162,345 |
| Less accumulated depreciation | (36,925) | (27,808) |
| | <u>\$ 125,420</u> | <u>\$ 134,537</u> |

13. SHORT-TERM BANK LOANS

| | June 30 | |
|------------------------------------|---------------------|---------------------|
| | 2003 | 2002 |
| | (Unaudited) | |
| Loan for importation of machinery. | \$ 764,749 | \$ 523,741 |
| Operating capital loan. | 1,060,000 | 730,000 |
| | <u>\$ 1,824,749</u> | <u>\$ 1,253,741</u> |

14. COMMERCIAL PAPERS

| | June 30 | |
|-----------------------|-------------|-------------------|
| | 2003 | 2002 |
| | (Unaudited) | |
| Commercial papers | \$ | \$ 210,000 |
| Discount on par value | | (416) |
| | <u>\$</u> | <u>\$ 209,584</u> |

15. LONG-TERM BANK LOANS

| | June 30 | |
|--|--------------|-------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Bank loans collateralized by equipment and building, repayable semi-annually from May 1999 to June 2006, interest at floating rate (6.92% and 5.425% as of June 30, 2002 and 2003, respectively) | \$ 449,500 | \$ 795,500 |
| Syndicated bank loans collateralized by equipment, repayable semi-annually from July 2002 to September 2007, interest at floating rate (4.40% as of June 30, 2003) | 2,000,000 | |
| Syndicated bank loans collateralized by equipment, repayable semi-annually from July 2002 to September 2007, interest at floating rate (4.525% as of June 30, 2003) | 500,000 | |
| Syndicated bank loans repayable semi-annually from November 1999 to May 2003, interest at floating rate (8.25% as of June 30, 2002) | | 532,000 |
| Research and development subsidy loan, collateralized by time deposits in amounts of NT42,450 thousand, repayable quarterly from July 2000 to September 2006, with zero interest rate | 41,121 | 41,095 |
| | 2,990,621 | 1,368,595 |
| Less current portion | (360,379) | (878,000) |
| | \$ 2,630,242 | \$ 490,595 |

The credit lines as of June 30, 2003 and 2002 aggregated approximately \$4,041,121 and \$4,041,095 respectively.

Under the syndicated bank loan facility agreement for the year of 2003, the Company is required to:

- (1) Ensure that ChipMOS Bermuda and SPIL maintain a percentage of direct ownership in the Company of at least 50% of outstanding shares and have control over its operation.
- (2) Maintain certain financial ratio.

Under the syndicated bank loan facility agreement for the year of 2002, the Company is required to:

- (1) Ensure that MVI and SPIL maintain a percentage of direct ownership in the Company of at least 28.8% and 18%, respectively. The Company must notify the banks in writing and get approval in advance in cases where additional shares are issued in connection with an initial public offering of its shares.
- (2) Maintain certain financial ratio.

As a result of the share exchange between the Company and ChipMOS Bermuda, MVI no longer met the required direct ownership in the Company (Note 1). On October 26, 2000, the Company obtained the necessary waivers and consents from its lenders. These waivers and consents eliminated the MVI direct ownership percentage requirement permanently.

16. BONDS ISSUED

The Company on January 26, 2000 issued secured bonds with face value of NT\$1,200,000 thousand. Those bonds are due on January 26, 2005 and bear annual interest at 5.95% that are payable annually.

Under the guaranteed facility agreement for the long-term bonds, the Company is required to:

- (1) Ensure that MVI and SPIL maintain a percentage of direct ownership in the Company of at least 28.8% and 18%, respectively. In addition, the Company must notify the banks in writing and get approval in advance cases where additional shares are issued in connection with an initial public offering of its shares.
- (2) Maintain certain financial ratios.

As a result of the share exchange between the Company and ChipMOS Bermuda, MVI no longer met the required direct ownership in the Company (Note 1). On October 16, 2000, the Company obtained the necessary waivers and consents from its lenders. These waivers and consents eliminated the MVI direct ownership percentage requirement permanently.

17. PENSION PLAN

The Company has a obligation to provide pension benefits to employees starting from the inception of its operation. The Company has established a defined benefit pension plan for all of its regular employees, which provides benefits based on length of service and average monthly salary for the six months period immediately before retirement.

The Company makes monthly contributions, equal to 2% of salaries and wages, to a pension fund that is administered by a pension fund monitoring committee and deposited in its name in the Central Trust of China. The ending balances of foresaid fund were \$70,966 and \$53,313 as of June 30, 2003 and 2002 respectively.

18. CAPITAL SURPLUS

| | June 30 | |
|-----------------------------|----------------|--------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Additional paid-in capital | \$ 2,084,757 | \$ 2,084,757 |
| Long-term equity investment | | 1,057 |

| | |
|---------------------|---------------------|
| <u>\$ 2,085,814</u> | <u>\$ 2,084,757</u> |
|---------------------|---------------------|

Under the ROC Company Law, all of the capital surplus can only be used to offset a deficit except those generated from donations (donated capital) and the excess of the issue price over the par value of capital stock (including the stocks issued for new capital and mergers, and the purchase of treasury stock). Capital surplus can be transferred to capital as stock dividends distributed to shareholders.

19. LEGAL RESERVE AND UNAPPROPRIATED EARNINGS

The Company's Articles of Incorporation provides that the following may be appropriated, from the accumulated net income after deducting any previously accumulated deficit and 10% legal reserve, subject to shareholder approval: (a) 10% as bonus to employees, (b) not more than 2% as remuneration to directors and supervisors, (c) a special reserve, if deemed necessary, and (d) dividends to shareholders.

These appropriations and the disposition of the remaining net income shall be resolved by the shareholders in the following year and given effect in the financial statements of that year.

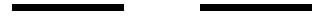
The aforementioned appropriation for legal reserve shall be made until the reserve equals aggregate par value of the Company's outstanding capital stock. The reserve can only be used to offset a deficit; or, when its balance has reaches 50% of the aggregate par value of the outstanding capital stock of the Company, up to 50% thereof can be distributed as stock dividend.

20. INCOME TAX

- a. Deferred income tax assets as of June 30, 2003 and 2002 consisted of the tax effects of the following:

| | June 30 | |
|--|------------|-------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| Unrealized foreign exchange (gain) loss | (\$ 1,877) | \$ 9,402 |
| Unrealized sales discount | 1,023 | |
| Provision of allowance inventory loss | 13,695 | 18,298 |
| Unrealized gain on foreign investment | (1,292) | |
| Operating loss carryforwards | 796,859 | 413,539 |
| Tax credit on machinery and R&D expenditures | 940,460 | 950,030 |
| Depreciation difference | (579,821) | (212,995) |
| Other | 11,210 | 7,434 |

| | June 30 | |
|---------------------------|-----------|-------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| b. Current: | | |
| Deferred tax assets | \$ 19,934 | \$ 35,118 |
| Deferred tax liabilities | (1,877) | |
| Deferred tax assets - net | \$ 18,057 | \$ 35,118 |



| | June 30 | |
|--|---------------------|--------------------------|
| | 2003 | 2002 |
| | | (Unaudited) |
| c. Noncurrent: | | |
| Deferred tax assets | \$ 1,743,313 | \$ 1,363,585 |
| Valuation allowance | (1,377,217) | (1,350,585) |
| Deferred tax liabilities | (581,113) | (212,995) |
| Deferred tax liabilities net | (\$ 215,017) | (\$ 199,995) |
| | | Six months ended June 30 |
| | 2003 | 2002 |
| | | (Unaudited) |
| d. Income tax expense current | | |
| Separate tax | 749 | \$ |
| Net change in deferred income tax benefit (expenses) for the year: | | |
| Provision for inventory losses | 7,957 | 4,435 |
| Unrealized foreign exchange gain | 7,316 | 1,154 |
| Unrealized sales discount | 4,698 | |
| Unrealized gain on foreign investment | 418 | |
| Tax credit on machinery and R&D expenditures | (100,934) | 8,808 |
| Operating loss carryforwards | 14,667 | 98,429 |
| Depreciation difference | 4,481 | (288,206) |
| Other | (5,539) | 15,745 |
| Adjustment of prior year's taxes | 3,364 | |
| Valuation allowance | 70,584 | 225,585 |
| Income tax expense | \$ 7,761 | \$ 65,950 |

e. As of June 30, 2003, the tax credits consisted of the following:

| Regulation | Item | Total Tax | Unused Tax | Year of Expiry |
|----------------------------------|--|-------------------|-------------------|----------------|
| | | Credit | Credit | |
| Statute for Upgrading Industries | Investments in machinery and equipment | \$ 185,856 | \$ 185,856 | 2003 |
| | | 63,592 | 63,592 | 2004 |
| | | 279,600 | 279,600 | 2005 |
| | | 131,048 | 131,048 | 2006 |
| | | \$ 660,096 | \$ 660,096 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 41,904 | \$ 41,904 | 2003 |
| | | 83,441 | 83,441 | 2004 |
| | | 84,762 | 84,762 | 2005 |
| | | 70,257 | 70,257 | 2006 |
| | | \$ 280,364 | \$ 280,364 | |



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| Income Tax Law | Loss carryforwards | \$ 1,958,507 | \$ 1,958,507 | 2006 |
|----------------|--------------------|---------------------|---------------------|------|
| | | 1,228,930 | 1,228,930 | 2007 |
| | | <u>\$ 3,187,437</u> | <u>\$ 3,187,437</u> | |

f. Income tax returns through 1998 have been examined and assessed by the tax authorities.

g. Imputation credit account (ICA) information:

| | June 30 | |
|-----------------|-----------|--------------------------|
| | 2003 | 2002 |
| ICA Balance | \$ 91,152 | (Unaudited) \$ 86,611 |
| Tax Credit Rate | | |

h. The unappropriated retained earning as of June 30, 2003 and 2002 was generated after 1998.

i. The income from the expansion of the first manufacturing plant is exempt from income tax from 1999 to 2002 and the second one is from 2002 to 2005.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENDITURE

| | June 30 | | | | | |
|--------------------|-------------------|----------------------|------------|-------------------|----------------------|------------|
| | 2003 | | | 2002 (Unaudited) | | |
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Personnel expenses | \$ 490,285 | \$ 113,723 | \$ 604,008 | \$ 418,847 | \$ 104,175 | \$ 523,022 |
| Salary expense | 427,823 | 103,782 | 531,605 | 370,490 | 96,255 | 466,745 |
| Insurance | 34,417 | 6,609 | 41,026 | 26,947 | 5,374 | 32,321 |
| Pension | 13,911 | 3,332 | 17,243 | 10,048 | 2,546 | 12,594 |
| Others | 14,134 | | 14,134 | 11,362 | | 11,362 |
| Depreciation | 1,251,272 | 35,284 | 1,286,556 | 1,347,306 | 16,011 | 1,363,317 |
| Amortization | 6,501 | 13,687 | 20,188 | 4,536 | 80,178 | 84,714 |

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies as of June 30, 2003, except those disclosed in other notes to the financial statements, are as follows:

- a. The Company leases parcels of land from the Science-Based Industrial Park Administration (SIPA) and the Kaohsiung branch of Economic Processing Zone Administrations, MOEA under several agreements expiring on various dates from 2002 to 2017, but are renewable upon expiration. Annual rentals, which are subjected to adjustments.

Minimum lease payments were as follows:

| <u>Years</u> | <u>Amount</u> |
|---------------------|-------------------|
| 2003 | \$ 16,738 |
| 2004 | 16,203 |
| 2005 | 15,668 |
| 2006 | 15,668 |
| 2007 | 15,668 |
| 2008 and thereafter | 156,676 |
| | <u>\$ 236,621</u> |

- b. On April 20, 1999, the Company entered into a semiconductor packaging technology licence agreement with TESSERA INC. Under the agreement, the Company agreed to pay a licence fee of US\$500 thousand and a royalty fee at certain percentage of net sales of certain products. The Company paid the total licence fee of US\$500 thousand (NT\$15,888 thousand) in 1999 and amortized the amount over 5 years using the straight-line method. The Company also shall pay certain additional licence fees within five years if cumulative production and sales quantity of products bearing Tessera Compliant Chip packages do not meet the commitment schedule at a respective deadline as set in the agreement.
- c. The Company has unused letters of credit aggregating approximately USD2,020, JPY1,035,137, EUR81 and USD49, JPY1,345,505 as of June 30, 2003 and 2002 respectively.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Company had entered into forward exchange contracts for the six months ended, to hedge its exchange rate risk on foreign-currency assets or liabilities and anticipated transactions. Information on the derivative transactions is as follows:

- a. European options

The Company expects to pay Japanese yen for its importation of materials, machinery, and equipment. It has entered into foreign currency option contracts with banks to hedge exchange rate risks. As of June 30, 2003, the Company had no outstanding foreign currency option contracts. For the six months ended June 30, 2003 and 2002, the Company realized premium income of NT\$0 and NT\$48 thousand respectively.

- b. Transaction risks

- 1) Credit risk. The banks with which the Company has entered into the above contracts are reputable and, therefore, management believes that exposure to credit risks arising from probable default by such counter parties is low.

- 2) Market risk and hedge strategy. The Company is exposed to market risks arising from changes in interest rates on floating-rate long-term obligations and currency exchange rates arising from U.S. dollar denominated accounts receivable, Yen denominated accounts payable and U.S. dollar denominated debt. In order to manage these exposures, the Company entered into forward contracts and swap contracts. The hedging strategy of the Company is to use the changes in the fair value of the derivatives instruments to offset the changes in the fair value of the hedged items. The Company periodically evaluates the effectiveness of these instruments as hedges of its exposures.
- 3) Liquidity and cash requirement. Interest and exchange rate swap transactions requires the settlement of the net interest payable or receivable only. The foregoing cash requirements are not material to the Company.

c. Fair value of financial instruments

| | June 30 | | | |
|--|-------------------|------------|-------------------|------------|
| | 2003 | | 2002 (Unaudited) | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets | | | | |
| Cash and cash in bank | \$ 657,209 | \$ 657,209 | \$ 605,228 | \$ 605,228 |
| Short-term investment | 1,551,655 | 1,386,801 | 900,343 | 900,343 |
| Notes and accounts receivable | 1,977,692 | 1,977,692 | 1,735,757 | 1,735,757 |
| Other receivable (other current assets) | 983,776 | 983,776 | 49,877 | 49,877 |
| Investments in shares of stock (including credit balance) | 1,731,427 | 1,723,388 | 419,888 | 419,888 |
| Refundable deposits (including current portion) | 14,943 | 14,943 | 13,831 | 13,831 |
| Liabilities | | | | |
| Bank loans | 1,824,749 | 1,824,749 | 1,253,741 | 1,253,741 |
| Commercial papers | | | 209,584 | 209,584 |
| Notes and accounts payable | 353,517 | 353,517 | 332,013 | 332,013 |
| Other payable | 6,607 | 6,607 | 3,024 | 3,024 |
| Payables to contractors and equipment supplies (other current liability) | 110,420 | 110,420 | 528,247 | 528,247 |
| Accrued expenses | 347,883 | 347,883 | 303,497 | 303,497 |
| Long-term bank loans (including current portion) | 2,990,621 | 2,990,621 | 1,368,595 | 1,368,595 |
| Bonds issued (including current portion) | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Guarantee deposits received (other current liabilities) | 509 | 509 | 431 | 431 |

Fair values of financial instruments were determined as follows:

- 1) Short-term financial instruments carrying values.
- 2) Short-term investments market values.

- 3) Investments in shares of stock market value for listed companies and net equity value for the others.
- 4) Refundable guarantee deposits carrying values.
- 5) Long-term liabilities based on forecasted cash flows discounted at current interest rates of similar long-term liabilities. Bonds payable are discounted at present value, using an annual interest rate of 5.95%. Other long-term liabilities are their carrying values as they use floating interest rates.

The fair values of non-financial instruments were not included in the fair values disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above does not equal the fair value of the Company.

24. ADDITIONAL DISCLOSURES

The following are the additional disclosures required by SFC for the Company and investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed at costs or prices at least \$100,000 or 20% of the paid-in capital: Please see Table 4 attached;
- e. Total purchase from or sale to related parties amounting to at least \$100,000 or 20% of the paid-in capital: Please see Table 5 attached;
- f. Receivable from related parties amounting to at least \$100,000 or 20% of the paid-in capital: Please see Table 6 attached;
- g. Names, locations and related information of investees on which the Company exercises significant influence: Please see Table 7 attached;
- h. Transactions of derivative financial instruments: Please see Note 23.

25. SEGMENT FINANCIAL INFORMATION

- a. Industry. The Company provides semiconductor testing, assembly, turnkey and TCP services.

For the Six Months Ended June 30, 2003

| | Segment | | | | Corporate & | | |
|--------------------------------|--------------|--------------|------------|------------|--------------|--------------|--------------------|
| | Testing | Assembly | Turnkey | TCP | Total | Other Assets | Consolidated Total |
| Revenues from customers | \$ 1,234,480 | \$ 1,224,376 | \$ 655,045 | \$ 674,237 | \$ 3,788,138 | \$ | \$ 3,788,138 |
| Cost of revenues | 1,234,011 | 995,256 | 646,695 | 503,263 | 3,379,225 | | 3,379,225 |
| Segment gross profit | 469 | 229,120 | 8,350 | 170,974 | 408,913 | | 408,913 |
| Depreciation and amortization | 841,084 | 251,011 | | 219,207 | 1,311,302 | | 1,311,302 |
| Segment assets | 5,082,796 | 2,048,130 | | 2,215,697 | 9,346,623 | 6,847,487 | 16,194,110 |
| Expenditure for segment assets | 603,152 | 289,790 | | 232,776 | 1,125,718 | | 1,125,718 |

For the Six Months Ended June 30, 2002 (Unaudited)

| | Segment | | | | Corporate & | | |
|--------------------------------|--------------|------------|------------|------------|--------------|--------------|--------------------|
| | Testing | Assembly | Turnkey | TCP | Total | Other Assets | Consolidated Total |
| Revenues from customers | \$ 1,043,974 | \$ 642,516 | \$ 862,736 | \$ 433,277 | \$ 2,982,503 | \$ | \$ 2,982,503 |
| Cost of revenues | 1,291,310 | 669,023 | 850,207 | 404,326 | 3,214,866 | | 3,214,866 |
| Segment gross profit | (247,336) | (26,507) | 12,529 | 28,951 | (232,363) | | (232,363) |
| Depreciation and amortization | 1,052,960 | 259,988 | | 139,621 | 1,452,569 | | 1,452,569 |
| Segment assets | 6,353,522 | 2,135,631 | | 1,898,064 | 10,387,217 | 5,189,355 | 15,576,572 |
| Expenditure for segment assets | 136,887 | 41,229 | | 615,476 | 793,592 | | 793,592 |

- b. Geographic information. The Company has no operations outside the Republic of China.

- c. Export sales

| Geographic Area | Six months ended June 30 | |
|-----------------|-----------------------------|---------------------|
| | 2003 | 2002 (Unaudited) |
| Japan | \$ 135,918 | \$ 91,967 |
| Hong Kong | 240,279 | 5,371 |
| America | 214,852 | 79,821 |
| Other | 45,409 | 4,378 |
| | \$ 636,458 | \$ 181,537 |

- d. Major customer. Sales to customers representing at least 10% total net product sales.

| <u>Customer</u> | Six months ended June 30 | | | |
|-----------------|--------------------------|-------|------------------|-------|
| | 2003 | | 2002 (Unaudited) | |
| | Amount | % | Amount | % |
| MVI | \$ 1,472,056 | 38.86 | \$ 1,024,632 | 34.35 |
| Ultima | 467,034 | 12.34 | 790,659 | 26.51 |

ChipMOS TECHNOLOGIES AND INVESTEEES

FINANCING PROVIDED

For the Six Months Ended June 30, 2003 and 2002

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Financing Name | Counter-Party | Financial Statement Account | Maximum Balance for the Period | Ending Balance | Interest Rate | Financing Nature | Transaction Amount | Financing Reasons | Allowance for Bad Debt | Collateral | | Financing Limit for Each Borrowing Company | Financing Company's Financing Amount Limits |
|----------------|--|-----------------------------|--------------------------------|----------------|---------------|----------------------|--------------------|-------------------|------------------------|------------|-------|--|---|
| | | | | | | | | | | Item | Value | | |
| Plus MOS | Advanced Micro Chip Technology Co., Ltd. | Other receivables | \$20,000 | \$20,000 | 5.9% | Short-term financing | \$ | Working capital | \$ | \$ | | \$30,000 | \$30,000 |

ChipMOS TECHNOLOGIES INC. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

For the Six Months Ended June 30, 2003 and 2002

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Endorsement/Guarantee | Counter-party | | Limits on | | Value of Collateral Properties, Plant and Equipment | Percentage of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement | Maximum Collateral/ Guarantee Amounts Allowable | |
|-----------------------|---------------|---------------------------|-----------------------------------|--|---|--|---|----------|
| | Name | Nature of Relationship | Endorsement/ Guarantee Amounts | Each Counter-party's Maximum Balance for the Period Ending | | | | |
| ChipMOS | Ultima | Business relationship | (Note 1) | \$ 600,000 | \$ 600,000 | \$ 600,000 | 6.16% | (Note 2) |

Note 1: Not exceeding 120% (\$11,694,882) of the net equity \$9,745,735 of ChipMOS for each transaction entity

Note 2: Not exceeding 150% (\$14,618,603) of the net equity \$9,745,735 of ChipMOS

ChipMOS TECHNOLOGIES INC. AND INVESTEEES

MARKETABLE SECURITIES HELD

June 30, 2003

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2003 | | | | |
|-------------------|--|--|-----------------------------|-------------------------|--------------------------------------|-------------------------|---------------------------------|------|
| | | | | Shares/Units (Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | Note |
| ChipMOS | MVI | An indirect major shareholder Investee of 32.76% ownership | Short-term investments | 13,396 | \$ 242,416 | | \$ | |
| | Union Bond Fund | | Short-term investments | 8,566 | 99,071 | | 99,071 | |
| | Barits Repurchase Note | | Short-term investments | | 199,937 | | 199,131 | |
| | Sino Pacific Investment Fund | | Short-term investments | 2,282 | (USD5,754) 792,133 (USD22,821) | | 789,737 | |
| | Ultima | The President of ChipMOS is the director of Ultima (resigned in June 2003) | Short-term investments | 18,586 | 218,098 | 7.71 | 298,862 | |
| | Advanced Micro Chip Technology Co., Ltd. | Same president | Long-term investments | 9,183 | 28,349 | 29.43 | 24,643 | |
| | Jesper Limited | | Long-term investments | | 571,008 (USD16,501) | | 571,008 | |
| | ChipMOS Japan Inc. | Equity-accounted investee | Long-term investments | 0.20 | (670) | 100 | (670) | |
| | ChipMOS USA Inc. | Equity-accounted investee | Long-term investments | 50 | (7,369) | 100 | (7,370) | |
| | PlusMOS | Equity-accounted investee | Long-term investments | 5,250 | 42,143 | 25 | 42,185 | |
| | Chantek | Equity-accounted investee | Long-term investments | 118,772 | 90,305 | 34 | 133,098 | |

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| | | | | | | |
|---------------------------|----------------------------------|-------------|--------|---------|-------|---------|
| ThaiLin | Equity-accounted investee | Long-term | 83,551 | 610,772 | 41.78 | 642,519 |
| | | investments | | | | |
| Best Home | ChipMOS is the major shareholder | Long-term | 5,990 | 89,850 | 19.91 | 56,249 |
| | | investments | | | | |
| Sun Fund | ChipMOS is the major shareholder | Long-term | 20,000 | 299,000 | 16.67 | 166,432 |
| | | investments | | | | |
| PlusMOS | President Home Run Bond Fund | Short-term | 6,287 | 83,383 | | 83,824 |
| | | investments | | | | |
| TIIM Bond Fund | | Short-term | 773 | 10,255 | | 10,397 |
| | | investments | | | | |
| HSBC Dragon Fund | | Short-term | 259 | 3,730 | | 3,795 |
| | | investments | | | | |
| Polaris De-Li Fund | | Short-term | 3,934 | 56,610 | | 56,648 |
| | | investments | | | | |
| Chantek | Equity-accounted investee | Long-term | 41,920 | 61,413 | 12 | 61,874 |
| | | investments | | | | |
| Chantek | The RSIT Enhanced Bond Fund | Short-term | 2,000 | 20,508 | | 20,881 |
| | | investments | | | | |
| IIT High Yield Fund | | Short-term | 600 | 9,458 | | 9,479 |
| | | investments | | | | |
| Ta Chong Gallop Bond Fund | | Short-term | 108 | 1,100 | | 1,118 |
| | | investments | | | | |

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June 30, 2003

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Market Value or Net Asset | | | Note |
|-------------------|---|-------------------------------|-----------------------------|---------------------------|----------------|-------------------------|---|
| | | | | Shares/Units (Thousand) | Carrying Value | Percentage of Ownership | |
| | TIIM High Yield Fund | | Short-term investments | 2,625 | \$ 30,013 | | \$ 30,600 |
| | TIIM Bond Fund | | Short-term investments | 372 | 5,000 | | 5,005 |
| | Cash Reserves Fund | | Short-term investments | 136 | 1,500 | | 1,508 |
| | Other | | Short-term investments | | 79,914 | | |
| | Chantek International Investment Ltd. | Equity-accounted investee | Long-term investments | | 30,163 | 99.99 | 30,163 |
| | Advanced Micro Chip Technology Co., Ltd. | Equity-accounted investee | Long-term investments | 12,000 | 32,205 | 38.46 | 32,160 Collateralize 5,000,000 \$19,645 |
| | World-Wide Test Technology Inc. | Equity-accounted investee | Long-term investments | 33,357 | 162,194 | 23.11 | Collateralize 28,350,000 \$91,255 |
| | Gem Service, Inc. | | Long-term investments | 667 | 47,633 | Preferred Stock | |
| | Turbonet Communication, Inc. | | Long-term investments | 13 | 7,670 | 0.04 | |
| | Chantek International (Cayman) Co., Ltd. | Equity-accounted investee | Long-term investments | 1 | | 100 | |
| | Integrated Silicon Solution, Inc. | | Long-term investments | 3 | 1,076 | | |
| ThaiLin | TSMC, Ltd. | | Short-term investments | 154 | 15,184 | | 8,855 |
| | KGI Pioneer Fund | | Short-term investments | 2,000 | 20,030 | | 18,620 |
| | Ta Chong Gallop Bond Fund | | Short-term investments | 2,000 | 20,271 | | 20,698 |
| | IIT High-Yield Fund | | Short-term investments | 4,417 | 60,000 | | 60,618 |
| | Barits International Asset Management Corp. | | Short-term investments | | 296,770 | | 296,770 |
| | ViGOUR Technology Corp. | | Long-term investments | 2,361 | 41,336 | 3.63 | |
| | China Development | | Long-term investments | 1,800 | 18,000 | 2.11 | |

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| | | | | | | |
|----------------------|----------------------------------|--------------------------|-----|--------|------|-----|
| Advanced Micro Chip | Industry Bank World-Wide Test | investments Long-term | 456 | 13,886 | 0.32 | 310 |
| Technology Co., Ltd. | Technology Inc. | investments | | | | |

ChipMOS TECHNOLOGIES INC. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR
PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the Six Months Ended June 30, 2003 and 2002

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Marketable Securities Type and Name | Financial Statement Account | Counter-Party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | Ending Balance | |
|---|-----------------------------|---|------------------------|-------------------------|---------|-------------------------|------------------------|-------------------------|------------|----------------------------|----------------|-------------|
| | | | | Shares/Units (Thousand) | Amount | Shares/Units (Thousand) | Amount | Shares/Units (Thousand) | Amount | Gain (Loss) Carrying Value | | on Disposal |
| VI Secured Bond | Short-term investments | | | | \$ | | \$ 480,000 | | \$ 480,000 | \$ 480,000 | \$ 7,265 | \$ |
| President James Bond Fund | Short-term investments | | | 15,623 | 227,230 | 6,851 | 100,000 | 22,474 | 327,522 | 327,230 | 292 | |
| IIIM Bond Fund | Short-term investments | | | 4,737 | 63,056 | 22,122 | 296,109 | 26,859 | 359,614 | 359,165 | 449 | |
| Union Bond Fnd | Short-term investments | | | 26,413 | 302,341 | 40,138 | 463,071 | 57,985 | 667,166 | 666,341 | 825 | 8,566 |
| Hai-yu Long River Bond Fund | Short-term investments | | | 2,567 | 28,493 | 13,437 | 150,000 | 16,004 | 178,613 | 178,493 | 120 | |
| Solomon Bond Fund | Short-term investments | | | 16,425 | 180,000 | 11,951 | 131,000 | 28,376 | 311,545 | 311,000 | 545 | |
| ChipMOS Technology Inc. | Short-term investments | | | | | 52,339 | 290,000 | 52,339 | 290,000 | 290,000 | | |
| Barits Repurchase Note | Short-term investments | Barits International Asset Management Corp. | | | | | Note 1 199,937 | | | | | |
| Pacific Investment Fund | Short-term investments | | | | | 2,282 | 792,133 | | | | | 2,282 |
| Ultima | Short-term investments | | | | | | (USD22,821) | | | | | |
| Esper Limited | Long-term investments | | | | | | Note 2 572,741 | | | 1,733 | | |
| Barits International Asset Management Corp. | Short-term investments | Barits International Asset Management Corp. | | | | | (USD16,501) 296,770 | | | Note 3 | | |

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Note 1: acquired as guarantee for purchasing MVI bond and disposed to offset the settlement of the bond.

Note 2: transferred from long-term investment.

Note 3: recognized as cumulative translation adjustment

Note 4: recorded in interest revenue

ChipMOS TECHNOLOGIES AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO

AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the Six Months Ended June 30, 2003 and 2002

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | Note/Accounts Payable | | or Receivable | |
|--------------|---------------|--|---------------------------|--------------|---------------|---------------------------------------|----------------------|-----------------------|------------|---------------|---------------|
| | | | Purchase/Sale (Note 1) | Amount | % to Total | Payment Terms | Payment Terms | Unit | Ending | | |
| | | | | | | | | Price | Balance | | % to Total |
| ChipMOS | MVI | An indirect major shareholder | Sales | \$ 1,472,056 | 38.86 | Net 90 days from monthly closing date | Net 30-60 days from | \$ | \$ 647,612 | 32.32 | |
| | | Investee of 32.76% ownership | | | | | monthly closing date | | | | |
| | Ultima | The President of ChipMOS is | Sales | 467,304 | 12.34 | Net 90 days from monthly closing date | Net 30-60 days from | | 273,711 | 13.66 | |
| | | the director of Ultima (resigned in June 2003) | | | | | monthly closing date | | | | |
| | DenMOS | MVI's investee | Sales | 198,740 | 5.25 | Net 30 days from monthly closing date | Net 30-60 days from | | 87,341 | 4.36 | |
| | | | | | | | monthly closing date | | | | |

ChipMOS TECHNOLOGIES INC. AND INVESTEEES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO
AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

June 30, 2003

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------|---------------|--|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action Taken | | |
| ChipMOS | MVI | An indirect major shareholder Investee of 32.76% ownership | \$ 647,612 | 4.19 | \$ | | \$ | \$ 8,718 |
| | Ultima | The President of ChipMOS is the director of Ultima (resigned in June 2003) | 273,711 | 3.09 | | | 228,794 | 3,685 |

ChipMOS TECHNOLOGIES INC. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

For the Six Months Ended June 30, 2003 and 2002

(Amounts in Thousand of New Taiwan Dollars, Unless Otherwise Specified)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2003 | | | Net | |
|---------------------|---|-------------------|--|----------------------------------|------------------|-----------------------------|-------------------------------|-------------------|--|---------------------------|
| | | | | June 30, 2003 | June 30, 2002 | Shares (Thousand) | Percentage of Ownership | Carrying Value | Income (Loss) of the Investee | Investment Gain (Loss) |
| ChipMOS | ChipMOS Japan Inc. | Tokyo, Japan | Research, development, design, manufacture testing and packaging of integrated circuits. Marketing of Semiconductor integrated circuits and electronic parts | \$ 2,699 | \$ 2,699 | 0.2 | 100 | (\$ 670) | \$ 237 | \$ 237 |
| | ChipMOS, U.S.A. Inc. | Sunnyvale, U.S.A. | Research, development, marketing and distribution of Semi-conductor, integrated circuits, and electronic related products | 3,088 | 3,088 | 50 | 100 | (7,369) | 1,437 | 1,436 |
| | PlusMOS | Chupei, Taiwan | Manufacture, design, distribution and sale of electronic product | 300,000 | 300,000 | 5,250 | 25 | 42,143 | (37,679) | (9,421) |
| | Chantek | Chupei, Taiwan | Testing and packaging of integrated circuits, sale of electronic product | 213,789 | 213,789 | 118,772 | 34 | 90,305 | (94,400) | (27,010) |
| | ThaiLin | Hsin-Chu, Taiwan | Research, development, design, manufacture testing and packaging of integrated circuits. Marketing of Semiconductor integrated circuits and electronic parts | 668,407 | 668,407 | 83,551 | 41.78 | 610,772 | (140,854) | (55,267) |
| | Advanced Micro Chip Technology Co., Ltd. | Hsin-Chu, Taiwan | Sale of electronic product, international trading | 31,590 | | 9,183 | 29.43 | 28,349 | (13,959) | (3,241) |